SEPT. 2
1933

BUSINESS WEEK

BUSINESS INDICATOR

75 – 70 – 65 – 60 – 55 – 50

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Business Outlook
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PUBLIC WORKS—Placing the $10,000 "kneeler" stone on the Government Auditorium in Washington, where, so far, public works money is most visible.

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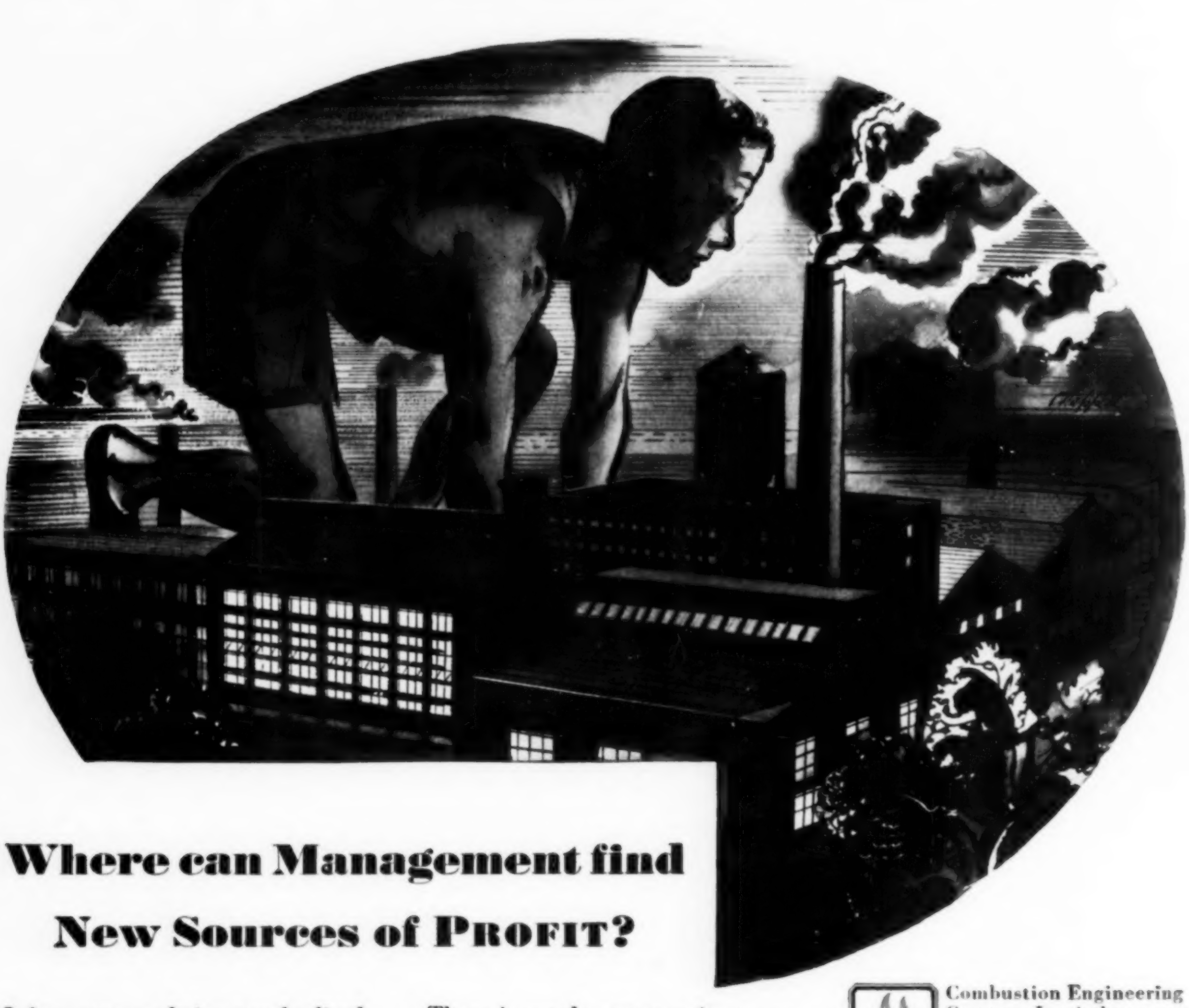

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Bus. Adm.

This Business Week

THIS is a world of endless complications, as those who would plan to regulate it are learning. To get a government check, cotton farmers agree to plow up part of their growing crop, and not to replant the plowed acres to any other cash crop. They are living up to the agreement. But—they are planting the ground to late fodder, and to quick-growing clover, so they will have to buy less feed and hay from their brethren in the Middle West. The Southern market has been one of the big outlets for feed and hay. Try that on your headache!

OUR annual production of gold runs something less than 2½ million troy ounces. Since a dollar is, by definition, 23.22 grains of gold, the annual gold output has been about $50 millions—worth, in other words, about as much as the strawberry crop. But nobody is likely overnight to raise the price of strawberries by 45%. President Roosevelt's order permitting sale of new-mined gold abroad jumps its price from the statutory $20.67 to something like $29.

In a way, the government already had done this when it issued an order permitting the export of amalgams and concentrates, to be refined abroad. Refiners raised a loud howl; said employment was being taken away from Americans employed in gold refining. So now the refining will be done at home. Mining men grinned a little among themselves; the refining of gold is so highly mechanized that it would be hard to prove that 100 men are employed in the whole United States in that particular process.

The action is significant mostly as an official ratification of the depreciation of the dollar.

INCIDENTALLY, manufacturers and the arts do not use our entire output, as sometimes stated. Consumption of new gold for other purposes than monetary runs around 1½ million ounces, for which, presumably, users must pay the $29 price from now on. The interesting thing to watch is what becomes of the other million ounces. Will the Treasury really export it, or add it to monetary stocks, after paying for it at $29?

COUPLED with the order permitting exports of new gold were new strictures upon gold hoarders. There is something fishy about the whole anti-hoarding drive—if anything so apathetic can be called a drive. Begin with considering its mixed ethics. Everyone knows that in demanding gold for currency, citizens were merely exercising their undisputed legal rights, under a written contract with Uncle Sam. What moral odium is there in that? Furthermore, if they gave their names and addresses to the Federal Reserve, as they were asked to do when they drew gold, they were just being polite—they didn't have to; the stouter-hearted bluntly refused. So much for the hoarders' side of it. On the other, certainly they were trying to take advantage of the rest of us, and nobody wants to see them now pick up a profit of $9 an ounce.

Another puzzling aspect—the government issues order after order, and gets into a great pother over the situation, and yet it issues figures which try to make it appear that the amount still in hoarding is now only $1,393,000.

THE best story that has come out of NRA is that of the arrival of a gentleman with a horsecollar over one arm and a bridle over the other, demanding to be excused from the NRA classification of his factory as belonging to the saddlery industry. "My horse collar is made of canvas and stuffed with linters and it sells for 50¢ down South. It isn't saddlery and it ought to be allowed to file its own code, the Code of the Canvas Horse Collar Industry. And my company is all there is."

ACCOUNTANTS are running across some sweet problems under the codes. "The pineapple of them all" is costs—how are they to be figured uniformly? Plant A, operated by a highly conservative outfit, wrote off cost of buildings and equipment years ago. Plant B was brand new in 1929. A has cut out a lot of overhead. B has cut manufacturing costs. Then, of course, there is Plant C, bought at foreclosure last February for the price of the plumbing!

So Mr. Moley is going into the publishing business. Well, he will have to sign the code, like the rest of us, and we hope he has to keep our hours, which are about two codes-length per week. Vincent Astor used to publish an aviation paper. Just an old competitor. It folded up after a while.

MUNICIPAL works seem to offer about the only opportunity to get men on the public works payroll before snow flies. Federal projects are notoriously hard to get going. Secretary Ickes this week has made several gestures in the direction of expediting work. Maybe someone prodded him?

The Business Outlook

With bituminous coal and automobiles brought into the big-industry code line, NRA shifts its emphasis to administrative problems. Washington hears the Blue Eagle screaming for credit, as renewed open market operations and the return flow of currency end in excess bank reserves and glut the call loan market, forcing rates to the lowest levels ever posted by the New York Stock Exchange. . . . Discussion of credit inflation jiggles the dollar and the pound. . . . Behind industrial walls, adjustment to the new codes overshadows production interest. Steel slipped back to 49% of capacity—a seasonal lull, long anticipated. Soft coal operators finally made an historic peace with the union. Though steel, cement, and coke industries built up coal stocks during July in anticipation of rising prices, output continues to expand. . . . Construction and electric power production slowed up a bit. Carloadings have at last made it a better year than 1932. Earnings records reveal astounding gains above a year ago. . . . Retail food prices rose only 2% in August compared with 8% in July. With his purchasing power cut down by sharper advances on the goods he buys, the farmer finds agricultural adjustment out of kilter. But he has encouraging news from abroad. Final agreement on the international wheat pact was concluded in record time.

BUSINESS WEEK

SEPTEMBER 2, 1933

Code Milestones

The coal industry makes peace, which makes history; the automobile men's labor clause stirs up a breeze.

WASHINGTON—NRA counts this the biggest week in its history, because this is the week in which the coal industry came to agreement. Fighting among themselves, fighting with labor, fighting competing sources of power, the coal operators were held up to the scornful pity of the rest of the business world as horrible examples of men who would not and could not cooperate.

But now they have agreed, both among themselves and with labor.

Hasn't a Word for It

The battle has raged for a month up and down the corridors of the Commerce Building, through the lobbies and the rooms of the Carlton, where John Lewis lives, and the Wardman Park where General Johnson and Deputy K. M. Simpson live. Now it is over. For once, the General has no wisecrack. Plainly, he is deeply moved, and a little awed at the power of the thing he is driving. More than one President of the United States has tried in vain to do what NIRA has done so quickly. "I can't say enough; I can't find the words," says the General, "Think how many times it's been tried——"

The automobile code's approval came late last Saturday. The retail code problem, involving a vast subdivision of American employment, came perceptibly nearer to solution this week. The first of the big machinery codes—textile machinery—floated through a hearing that lasted half an hour. The first of the great construction codes—sand, gravel, crushed stone—drew a notable company of advocates, including Bainbridge Colby, former Secretary of State. The evidence on a complicated series of problems was gathered and turned back into the code mill in a day and a half.

Looks Like a Precedent

The automobile code set a new record in speed from hearing to signature—a week and a day. Its new labor provision —that it may hire, fire, promote, and demote on basis of merit only—caused quite the biggest excitement in the labor field of anything that has yet happened. Despite the announcement that its acceptance in the automobile code did not create a precedent, it is being written hopefully into every code now in the mill, including the bus code, which appeared in a revised form when its hearing opened Wednesday, and drew the fire of William N. Doak, former Secretary of Labor, who is again representative of the railway brotherhoods.

But the automobile code itself stands as a model of knowing what you want, putting it all within the law, and sticking to your guns. Probably the most realistic code yet submitted, it took no revisions excepting the rephrasing of the labor clause (still keeping what the industry wanted, or thought it wanted), set up a Code Authority without any great authority. The code committee had left Washington by early afternoon of the single day taken up by the hearing. Not a little credit goes to Pyke Johnson, a quiet young man, vice-president of the N.A.C.C., who has told the automotive industry how to get along in Washington for the past dozen years.

Unions Accept Challenge

Whether the industry has built its fences high enough to discourage the coming drive for unionization remains to be seen. Article 7 (a) of NIRA is, of course, written into the code, as into all codes, and that accepts collective bargaining with the employees through "representatives of their own choosing." Union labor is girding for a battle test. The outcome remains to be seen. But that is not in Washington.

The hearings on the retail codes were loaded with lively interest; 180 witnesses were scheduled for the major group and 5 industrial advisers were required (at $25 a day) to see that all that was pertinent got into the record of testimony. The big stores locked horns over the issue of cut-rate prices, loss-leaders, and advertising such "unfair practices." The Consumers' Advisory Board, under the chairmanship of Mrs. Mary Harriman Rumsey, pointed out that the public certainly wanted to know, through advertising, when there were below-cost sales or even bargains of a minor nature, and that the criminal laws took care of other violations of trade ethics—thereby touching on a somewhat overlooked point that most "unfair competition" is taken care of in common law and does not have to be put into the codes.

A commentary on this: The code of the machine tool industry, presented this week, has an "unfair practices section" which is about the shortest, and most complete, so far filed. Its language: "Unfair practices shall be deemed to be practices or acts which by subterfuge, concealment, misrepresentation, or by any form of discrimination, result in selling below published prices, or in deceiving or misleading purchasers, or in misrepresenting the products of competitors. Any such unfair practice is hereby declared to be and to constitute an unfair method of competition." Just like that—and no more.

Long Way to Go

The plan for a master code of all retailing permeated all discussions through most of the week, and the results finally attained will simplify the expansion of this great field for the employment of the white-collar workers. The question of resale price maintenance was developed to be closely tied in with the manufacturers' problems and the repurchase agreement which was pointed out as its corollary. The retail code has a way to go yet, but its provisions are receiving obviously expert attention.

Meanwhile, next week will see another large group of codes, striking deep into the heart of the problems of American industry, the chief interesting ones being the code of the Construction League into which it is hoped to draw all the construction groups, from road-building to skyscrapers; the newsprint industry; the fertilizer industry (first of the chemical manufacturing codes to be heard); a combination of the compressed air, heat exchange and pump manufacturing industries; the steel casting industry; and also the undergarment industry; leather and woolen knit gloves, and cotton gloves.

Soft Coal

DESPITE almost daily threats that, unless bituminous coal with its 29 codes promptly reached an agreement upon a single code of fair competition, NRA would impose one of its own making, Washington and Hyde Park continued their policy of pushing back the zero hour. At the same time, however, NRA officials kept busy on noncontroversial features of the code in preparation for the last-minute spectacular dash with the completed document to Hyde Park for the Presidential signature and first-page headlines in the newspapers.

There was no question about the headline value of a settlement of the historic labor issues of the soft coal

fields that involved general recognition of the United Mine Workers of America and actual control of 80% of bituminous production by the union. NRA is getting credit for an achievement far beyond the hopes of Washington's most sanguine peacemakers, but coal's new competitors—gas and oil—can take a bow. Recognition of the common enemy played its part in bringing the operators and miners together.

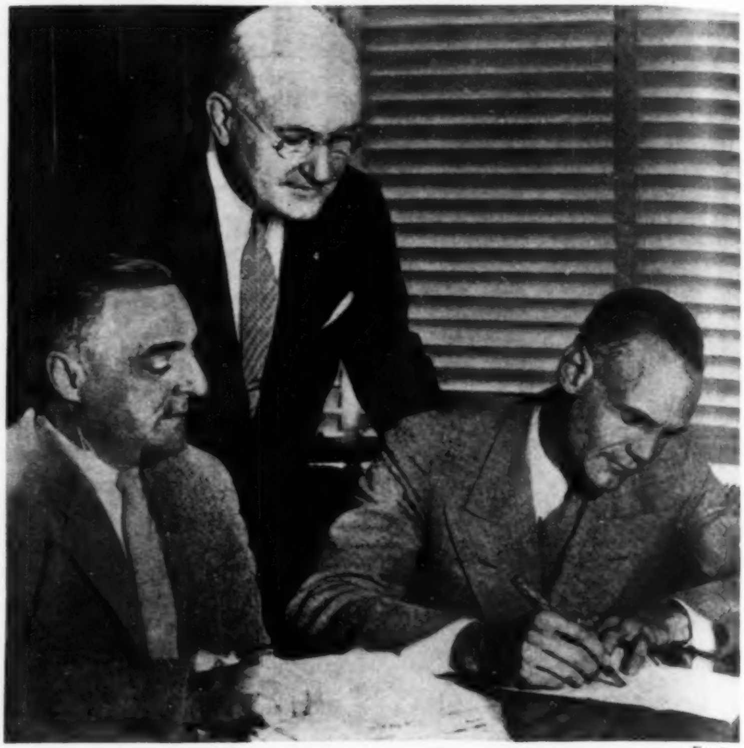
Able Strategy

Having pulled the union officials and the important open-shop producers of the Appalachian region into a joint conference, the strategy of the Administration was to allow these groups sufficient time to formulate wage agreements which would relieve NRA of the ticklish task of establishing such agreements between highly competitive fields. One result of the strategy was a tentative understanding to increase base inside rates in the Appalachian region 76¢ a day above the minima named in the codes originally filed by the operators in that region. This shoved the Northern base rate to $4.60 for an 8-hour day, the Southern base to $4.20, with the Fairmont district at $4.36.

At the same time, the union tentatively waived its demand for the application of the $5 minimum of the union-operator code to all districts north of the Ohio River with a 5% differential under Northern rates for mines south of the river. The union plea for a 6-hour day and a 5-day week also went into the discard, although there was a tentative agreement on a 40-hour week. Rates are on a 6-month trial.

With these rates covering approximately 70% of the tonnage of the country out of the way, there still remained the problem of lining up minima for the remaining producing districts. Outside of Alabama and western Kentucky, no serious difficulties were involved in this readjustment.

Labor celebrating its major victory was less inclined to find vital importance in the decision on whether the operators should collect house rent and union dues from the pay envelopes or who pays the checkers. The operators were too interested in larger issues to worry over the fact that required tenancy of company-owned houses and required trading at company stores were on the way out. Coal consumers called a price rise a foregone conclusion.



Keystone

JOINING UP—M. A. Cudlip (right) vice-president and secretary of the Packard Co., signs the President's Agreement, following presentation of the automobile code. Watching him, left to right, are A. J. Barnaud and Abner E. Larned, directors of the NRA drive in Michigan and Detroit.

Retailers

HEARINGS this week on the code of fair competition submitted by 6 of the important national associations of retailers emphasized familiar aspects of the continuing conflict between the so-called independent merchants and the department and chain stores.

Wages and hours proved sore points. Independents, particularly those doing business in the smaller communities, held out for more work hours for less pay. Chain and department stores operating in the larger cities tried desperately to narrow the gap between their hours and wages and those generally observed by their smaller but numerically formidable competitors. It is not yet settled which side carried off the honors but at last reports stores previously operating 52 hours must cut employees' time to 40 hours, those open 56 to 60 hours gained a 44-hour maximum, while those open 63 hours or more may work their employees 48 hours per week. Wage schedules begin with an increase of at least 20% over the rate paid as of June 1, 1933, in towns of less than 2,500 population but not to exceed $10 per week and range upward to 15 for the 48-hour week in cities of over 500,000.

Important operators of department stores raised violent objections to fixing sales price at least 10% above invoice cost, to the ban on misleading advertising, to the rule against using "bait" merchandise, the loss-leader, and comparative advertising. Large stores that have for many years built their appeal for consumer patronage around claims that imply ability to undersell competitors were solidly behind their unofficial spokesman, Percy S. Straus, president of R. H. Macy & Co., New York, who presented a powerful plea for complete freedom of action on the theory that the consumer should have the benefit of whatever savings a retailer is willing to pass on. In support of the code provisions, 14 other New York department stores submitted a brief, expressly prepared to refute the accuracy and justification of the Macy claims of a 6% savings due to cash operation.

Advertising

IN filing their trade practice code, the advertising agencies have availed themselves of the police protection of the NRA to enforce standards universally accepted within the industry but not so universally observed. Sponsor is the American Association of Advertising Agencies, but the code is for all advertising agencies, non-members included.

There are broad definitions of unfair practices, which, if rigidly applied, would strip a great proportion of present copy from the printed page. Among the prohibitions are false statements or misleading exaggerations; indirect misrepresentation of a product; statements offensive to public decency, or which tend to undermine an industry; misleading price claims; pseudo-scientific

advertising; and testimonials "which do not reflect the real choice of a competent witness."

The most important factor in the advertising code is not a matter of wages, hours, or copy, but of enforcement of the taking of the full 15% commission.

This is the rock on which the business is founded, on which it has split, on which it might founder. Like proration in petroleum, that 15% commission in the agency business has always received its lip service, has often been broken. Like the 18th amendment, its breaking has been not particularly secret.

Code clauses reveal the extent of the breakage: it is unfair practice "for an agency to rebate any part of its commission to an advertiser, or for any agency to be owned or operated for the financial benefit of any advertiser . . . who thus directly or indirectly obtain the equivalent of a rebate and circumvent the conditions of agency 'recognition' required by media owners."

Under the code, " it shall be considered as rebating to place men in the service of the advertiser at the agency's expense or to assume all or part of the salary of any employee of the advertiser, or to pay any fee or compensation to anyone connected directly or indirectly with the advertiser."

These are taken as fighting words by some advertisers, already at odds with the agencies in matters of commissions and conduct. There is cause to believe that the big advertisers will answer them in the hearing. Whatever the outcome, whatever the merits or faults of the system, what the agencies want, as outlined in the code, is the same rules for all and a higher conception of the responsibilities of advertising.

Motors' Model

Automobile code comes off the assembly line—and finds Henry Ford waiting.

THE 1933 model code of fair competition for the automobile industry has just come off the production line in the NIRA shops and after receiving the President's signature, has been delivered to an anxiously waiting industry. Every motor car maker, perhaps excepting the intrepid Henry Ford, was interested in inspecting the new creation, because all of them—including a representative of Henry Ford—had cooperated in designing and producing the chassis which was to serve as the foundation for the finished vehicle. Those who wanted to know whether changes had been made in the gear ratio on wages, the shifting mechanism on hours, the governors on speed and economical operation, found to their relief that, aside from a minor adjustment of the low-gear rate, applying to apprentices, women, and learners, everything was as originally designed.

Motor car magnates, brought up in the trade and thoroughly convinced of the need for suitable brakes on labor organizers were somewhat disappointed that the "open shop policy" pattern had been scrapped but were glad to find an equally effective design used.

In Detroit, Ford's adherence to the code standards was regarded as a foregone conclusion on the belief that the rest of the industry would not have agreed to increase their costs in this way unless they were assured that Mr. Ford would fall into line. His minimum wage for years has not been below 50¢ an hour whereas the code's minimum wage in the Detroit area is 43¢. He was expected to bow to the 35-hour week, as against his own 40-hour one. Finally it was considered unlikely that he would be so rash from a sales standpoint as to be the sole automobile manufacturer failing to show the Blue Eagle. However submission of Ford statistics to the National Automobile Chamber of Commerce, as the automobile code requires, is something else again. Mr. Ford is not interested in showing his records to anybody or to showing the N.A.C.C. anything but his heels. While General Johnson denied that any exception could be made for the Detroit manufacturer, others were wondering about the legal applicability to the argument of an executive order issued by the President on July 15. It provides that industrialists who "have not in person or by representative participated in establishing or consenting to a code, and who claim that applications of the code in particular instances are unjust to them . . ." may apply for an exemption within 10 days after the effective date of the code and get a stay pending public hearing and a decision on their objections. Ten days from the effective date will be Sept. 15.

There is pretty good evidence to show that the industry has anticipated the increased costs of both materials and labor under the NRA. Manufacturers have been mum on the subject, but it is significant that stocks of new cars throughout the country have risen almost 100,000 units in the last 90 days, that stocks of finished parts and of raw materials, such as steel, are more plentiful than heretofore. The manufacturer has been pretty well protected on contracts for parts and materials, buying ahead on steel prior to price advance. His labor cost, even though the rates have been bumped up as much as 20% by General Motors, Chrysler and others, wouldn't figure out high on the price of a light car. The labor cost on a $450-$500 car is not over $50; recent advances in labor would not boost the cost more than $10. Moreover, the industry is looking for a bigger year in 1934 than in 1933.

Prices will be advanced as little as possible, because (1) manufacturers are convinced that any upward trend, particularly with purchasing power still badly crippled, will tend to circumscribe their market; (2) the leaders—General Motors, Chrysler, Ford—are in the midst of a free-for-all fight for leadership and won't risk raising prices above the barest necessity; (3) the factories will rely on the ingenuity of their production and sales executives to devise ways and means of cutting production and merchandising costs by increased efficiency so as to offset additional labor and materials costs.

Capital Goods Up Front

NRA begins to push the equipment and construction industries to the head of the relief line.

WASHINGTON—News that the National Recovery Administration has set up, under its Research and Statistical Division, a special section to "see what can be done for the capital goods industries" signals the start of what many critics have seen as an inevitable development in the NRA program.

Concern over the lot of those industries that live on the demand for new plant equipment, machinery, tools, and construction has been voiced since the beginning of the recovery drive. It has been increased by attempts in several codes to discourage that demand. Such attempts have been most successful where they have been directed to keeping down increases in plant capacity—for which there has been justification in many industries. However, the early stages of code-building have been marked by protests against even modernization—as likely to decrease employment, upset delicate competitive balances. Example: the recently submitted code of the refractories indus-

try, putting a penalty on new equipment in an industry that is known to have advanced technically far beyond its present plants.

Importance Overlooked

Consumers have been led to forget that their hope of satisfying their wants at lower costs, of raising their standard of living rests on those who manufacture and improve the tools of the consumer goods industries. The latter have sometimes lost sight of the fact that their opportunity for volume to support the new labor costs and for advantage in the new competition rests on the production and purchase of facilities that will increase the efficiency of their plants.

Labor has, at times, missed the point that the capital goods industries employed 2.7 million workers in 1929 and that, by the end of 1932, 1.6 millions of those workers had lost their jobs. This 59.1% drop in employment, considerably increased since, was far greater than was suffered in either the industries devoted to the production of consumers' goods and services or those that furnished materials and services used by both the capital goods and consumers' goods groups. Furthermore, for every worker unemployed and every dollar of payroll loss in the capital goods industries, there are approximately 3 workers thrown out of employment and $3 of wage-earnings lost in the other industries.

Answering a specific question on whether it was NRA's policy to discourage modernization, General Johnson said a month ago, "No. I think that the necessary installation of new equipment should go forward. If you stopped inventiveness and progress that would be very stupid. I do think that for a short period it would be wise not to emphasize the installation of machinery that would tend further to reduce the field of employment. But it is not our purpose to stop economic progress."

Rehabilitation Plans

This statement—which, itself, slid over some of the realities emphasized in the unemployment statistics of the capital goods industries—has been confused with the General's stronger fulminations against capacity increases in overcapacitied lines. No more definite statement has yet been made, but NRA economists are now saying that the demands of the capital goods situation are imperative. Code restrictions on modernization are out of style at recovery headquarters. Plans for stimulating industrial rehabilitation are under careful consideration.

In the interval since the economists first began to assemble their facts and figures at the Commerce Building, strong supporting evidence has been built up for the contention that rehabilitation of the capital goods industries themselves does not depend upon increases in American productive capacity. Surveys of obsolescence in industry, and of the decline in the purchase of plant equipment since 1929 (to a quarter of the average 1919-29 rate) have been anxiously reviewed. They point to conclusions similar to that reached in such a study published in *Business Week* a year ago (*BW—Aug 17'32*):

"Even though there were no further purchases of equipment by American industry for expansion of productive capacity it would require 8 years of equipment purchasing [in the manufacturing and utility industries] at the average annual rate prevailing before 1930 to replace with new and improved types the obsolete equipment now installed. If to this be added the deficit during the years 1930, 1931, and 1932 in equipment purchases below the annual average in the 11-year period before 1930, it may be estimated that there is at the present time an accumulated backlog of need and demand for industrial equipment and machinery amounting to nearly $30 billions."

Construction Under Scrutiny

While railway rehabilitation is to be stimulated and machinery investments encouraged, the first "capital goods drive" of the NRA may come in the construction field, where the Federal Reserve index based on 1923-25 as 100 had sunk to 22 in July (13 in residential construction). The interest here is coupled with uneasiness over the delays in putting the public works program into effect (*BW—Aug26'33*).

In discussing a program to bring government funds to the assistance of the construction industry, the Recovery Administration faces the old problem of protecting existing realty values and securities—and the financial institutions that these support. As a solution, one plan under consideration proposes to subsidize demolition along with construction to eliminate outdated buildings and, at the same time, increase employment opportunities in the unskilled groups. The basic thought is that the government, which is now giving 30% and lending 70% of the cost of state and municipal public works, shall give the 30% which will do the demolition job—in slum clearance work, for example. Getting down to details, it has been proposed that demolition be subsidized at the rate say, of, $750 a 100,000 cu.ft. and funds advanced for the construction of 800 new houses for each 1,200 torn down, with cities urged into rivalry on slum clearance progress.

A Credit Problem

All this is very tentative but it is an earnest of the thinking that is being done on the subject of encouraging the capital goods industries. Of course, translation of NRA thinking of this kind into action depends on financial measures to be put into effect either through the R.F.C. or the Public Works Administration. This week President Roosevelt reiterated that financing the recovery is part of the R.F.C. job, but the possibilities of its financing recovery by direct loans to industry for machinery replacements and new equipment are complicated by legal questions—which has turned Washington minds toward the immediate opportunity for assistance through broad-scale aid to construction.

In the final analysis, all of these schemes—and there are bigger ones in the background—await aggressive government action to expand credit, either directly or through the banks—which accounts for the growing emphasis on this credit phase of the recovery program in which the capital goods industries have an immediate and far-reaching interest.

Codes vs. Consent Decrees

If an anti-trust decree conflicts with a code, the Department of Justice will not oppose modification. And Chicago test case indicates that the courts will be amenable.

THE door is open to any company which may be under the restraint of an anti-trust decree to participate in submitting a code to NRA. Any doubt on this score was removed when Federal Judge Walter C. Lindley, Chicago, assured the American Hair & Felt Co. that it would not be adjudged in contempt of court by so doing. The company previously had been advised by the Department of Justice that joining in the filing of a code would not constitute violation of a consent decree entered in 1927 (when it was the Tanners Products Co.), but on advice of counsel took the question to court. When the hair industry's code is finally approved by President Roosevelt, the company must apply to the court for modification of any provisions of the old decree which may conflict.

There is only one thing in the hair industry's code that was condemned by the Tanner Products Co. decree, but that one thing is price-fixing. The anti-trust decrees prohibit monopolistic practices. NIRA does not countenance them, but

NRA's position with respect to price-fixing is still obscure.

If the hair industry's code with its price-fixing provision is approved by President Roosevelt, it is not likely that the Department of Justice will oppose modification of the Tanner decree. That the President would contest on the one hand what he has approved on the other is not logical.

The court, of course, may rule on a petition for modification of a consent decree independently of the Department of Justice and may refuse to permit modification. Suit by a private individual or company for triple damages as the result of alleged violation of a decree also may force the issue. Exhibition of an NRA code in defense might not be adequate.

All They Need

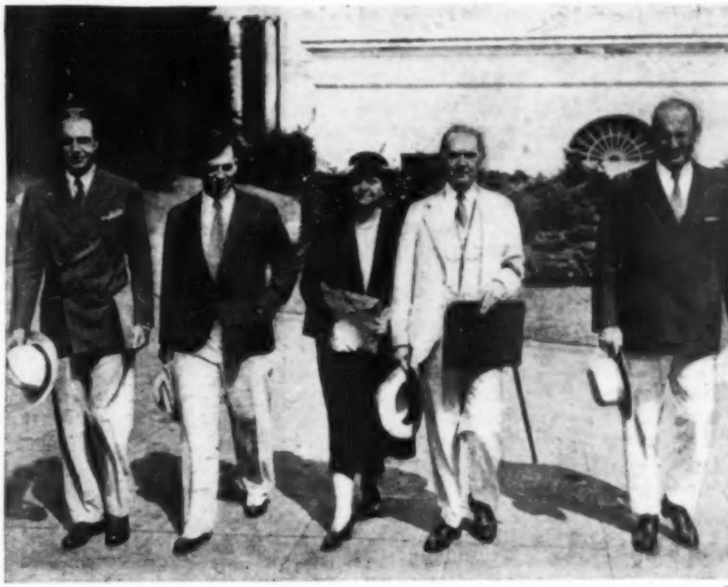
But it is the attitude of the Department of Justice that is really significant. Its advice to American Hair & Felt that it wasn't necessary to go to court for permission to join in filing a code, and that subsequently the department will not contest modification of the terms of existing consent decrees to reconcile them with the new code as approved, is just about all the assurance that the members of numerous industries saddled with anti-trust decrees, with or without their consent, can expect.

As for the courts, Judge Lindley's attitude is reassuring, but can't, of course, be taken as that of the entire federal bench. In point of fact, Judge Lindley hasn't committed himself to anything yet. He has merely said: File a code and then we'll have a look.

Since enactment of the Sherman Law in 1890, 113 decrees have been entered affecting upwards of 1,000 defendants, whether individuals or companies, in numerous industries. Among them: candy, furniture, kitchen cabinets and utensils, hardware, bolts and nuts, plumbing supplies, cement, corn products, woolen goods and yarn, cleaning and dyeing, barbers' supplies, linseed oil, sheet music, raisins, sand and gravel, jewelry, hat frames, paper of several varieties.

Price Control the Issue

Many of the anti-trust decrees have no relation to the subject matter of the NIRA. The consent decree against the "Big 4" meat packers, for example, requires them to divest themselves of interests in other lines of business. This is not a concern of NRA. Many other decrees prohibit price-fixing. This brings them in conflict with several codes that have been proposed, but it is still a question whether NRA will afford relief from the terms of such decrees. NRA welcomes open publication of prices. The U. S. Supreme Court has declared that an agreement to this effect among the members of an industry is not illegal *per se*.



Acme

WHITE HOUSE PROMENADERS—Walking through the grounds after a conference with the President: William Phillips, Undersecretary of State; Secretary Wallace of Agriculture, Secretary Perkins of Labor, Secretary Roper of Commerce, Henry Morgenthau, Jr., of the Farm Credit Administration.

NRA—The Third Phase

After 5 weeks of preparation, 5 weeks of furious drive, General Johnson's brigade on Labor Day enters the third phase, a long grind of highly-organized administration.

ON Labor Day the National Recovery Administration enters upon its third phase. First came 5 weeks of preparation, from June 16, when NIRA was signed, to July 22 when the PRA "parade" was started. Next, 5 weeks of the intoxicating stimulation of the drive, from that hot midnight of July 22, when President Roosevelt loosed the PRA drive, until Labor Day, scheduled as its climax.

Now the third phase—what will it be? How long will it last? Will a mid-October upturn of business mark the end of a third and the beginning of a fourth clearly recognizable period, again a 5-week stretch? Will the assembling of Congress 5 months hence start a new phase? Or is this the beginning of a long, long era of increasingly systematic administration, growing into a routine reminiscent of the I.C.C.?

However long it is fated to endure, the third phase begins on Labor Day. It will be marked by a tightening of the organization, and of its influence in every direction. Everyone at NRA feels it already, and industry is perfectly aware of it, too. There will be organization for the mass production of codes. When all of industry is codified, then the captains and the kings will depart, and the faithful assistant deputies will form the backbone of a permanent organization which most prophets say will carry on for years.

Codes have come in to the number of 2,000. Fifteen or 20 have been approved. The 6 million who were to be back at work by Labor Day are not back at work—only 2 million at the outside. The big codes, signed with much negotiation and tremendous effort, are most of them for 90-day test periods, and the real determination of the contents of the permanent codes is yet to come. There are conflicts between codes, both as to terms and as to jurisdiction. Most of the big issues, like the labor clause of the automobile code, allowing the plants still to hire and fire, promote and demote, have been won by horse-trading, and that is the real reason they are not allowed to be taken as precedents. A soundly organized and integrated industry like automobiles gets what it demands; lesser industries or those poorly integrated get their codes written for them, and have to like it.

Horse-Trading Tactics

The NRA has held off, deliberately, from the fixing of policies, believing horse-trading likely to win most. Policies remain to be formed, organization remains to be built for the long pull. The setting up of machinery for the

mass production of codes remains to be done.

This is the job that NRA has set for itself. It is a tremendous job, but with the same grim faith that has pulled through crisis after crisis in the past 10 weeks, General Johnson and his deputies are turning to it. Indeed, while the Administrator has been fighting with 4 great industries over their codes on the one hand and with the other hand pushing to get the signatures to 6 million reemployment pledges, NRA behind him has been preparing for the phase which now begins.

Organization Expanding

Fifteen deputies, an executive officer engaged in tying up loose ends and knitting a real organization together, and the expanding economic and legal divisions have been at work tirelessly. Deputies have taken on assistant deputies in droves; one has 6 assistants and each of them 2 to 6 more, and they have begun to hear codes, in that division, not one a day but 2, 3, 4 a day. Soon all the deputies will be holding multiple hearings, and the promised "40 going on at once," at which people smiled when General Johnson promised it 10 weeks ago, will be a commonplace.

The difficulties of NRA are enormous, its mistakes prodigious, but it is swinging into the new phase geared for the battle. The motto is to "get rid of bottle-necks" and every time work piles up in one spot, more men are hurried to that spot and the jam is broken.

The organization is tending now to concentration on the codes in hand, and to handling them in such order that industry will not hesitate to come in with its problems—and its codes. As yet there is no marked tendency toward "canned" codes; this is being consciously avoided, because the slogan of "industrial self-government" still holds. Each industry is recognized as having its own problems and is left at liberty to solve them—within the law.

Routine Set Up

But there has been set up a definite routine of hearings. At least one deputy organization has its own code preparation staff, which lays out agenda, divides the witnesses according to their requests for hearings, and holds a dress rehearsal the afternoon before the hearing is set. At that dress rehearsal, as at many meetings beforehand, negotiation, discussion, and horse-trading go on, and the codes as they come up for formal hearing are more and more likely to be already satisfactory compromises. Industry is discovering that cooperation can be had, when the United States government sits at the council table.

The labor problem has, in the past 10 weeks, taken a very definite form of favoritism to union labor. This has caused apprehension throughout industry, which the NRA knows quite as well as anyone. But the definite principle of General Johnson has been that during the depression years the worker has sold his wares in a declining market, steadily demoralized by competition, and that the principle of "collective bargaining" alone could enable him to hold his own in the new orientation of industry under NRA. "Collective bargaining" has meant unions, and the A. F. of L. has taken advantage of its opportunity with great energy and enterprise.

Acme

ABOUT THE MOVIE STRIKE—More work for the NRA mediators. Ben Lindsey, arbitrator for the unions and Hal Mohr (standing, left and right) representing the camera men, talk things over with Dr. Leo Wolman, of the NRA Labor Board and Walter Teagle, now laboring on the Arbitration Board.

Industry, moving more slowly, less well organized for a hearing in the field of social values, has seen its own weapon, the company union, taken from its hands. One powerful faction in the A. F. of L. has adopted the idea of federal unions in company units—the company union can enter the A. F. of L. by merely saying it wants to, and the craft union steps for the moment into the background.

The labor problem is yet to be solved, and one of the developments that must come in the new phase of NRA, if industry is to have its side heard, and retain its right to close the doors of its shop to outside organizers and to choose its employees and name its promotions, is a more studied and effective presentation of the industry's side of the social question of jobs and living wages for workmen.

The third phase of NRA promises to be marked, then, by the mass production of codes; by the making of permanent codes (rather than 90-day test codes); by the setting of precedents and procedure; by the organization of the deputy groups into units which, when the deputies go back to their big industrial and important college jobs, will carry on with a bureaucracy formed from the assistants, the young men whom industry meets first today in most of the deputies' offices; and finally by a reorientation of the labor setup.

Industry Catching Up

General Johnson has given indications of his willingness to receive the briefs of industry on the labor issue, but they must be briefs and facts, not arguments, and they must be keyed in the terms of social welfare as well as profit.

Organization for that job is the next general duty that lies before industry. Labor is 10 weeks ahead of it—and 10 weeks at NRA is a considerable handicap. But with a group of able economists preparing and feeding the industrialists with real food for thought and action, and in terms that NRA is keyed to understand, they have General Johnson's word for it that "The wheel that squeaks the loudest gets the most grease."

Cotton Textiles Under the Code

Processing and floor taxes have confused the effects of the new regime in the cotton mills but the industry foresees many changes, finds need of some revisions in the set-up, talks of price controls.

THE cotton-textile industry, first to walk the sawdust trail to the NIRA altar and first to put the new gospel into practice, also is first to show external signs that not all is going well with the internal reformation. Some leaders in the field are inclined to dismiss these as the natural consequences of a changed psychology and enforced temperance, to expect early proofs of permanent improvement in the status and prosperity of all factors in the industry. Others look for amendments to the present cotton-textile code, provisions for marketing and price-setting procedures, sharper teeth to permit policing and enforcement, and, as a definite byproduct, a washing-out process that will eliminate the financially or otherwise inefficient and provide stabilization for the survivors. Both groups muster imposing evidence in support of their opinions on the long-pull effect of codification, while in general agreement that the perspective is confused by the processing tax.

Measured in the terms of NIRA's prime objectives—more jobs at higher wages—the cotton-textile industry has built up an admirable record since July 17, when its code went into effect. The 40-hour week and 80-machine-hour limit have opened thousands of jobs for the unemployed and, in some production centers, have caused actual shortages of workers. However, imposition of the processing tax of 4.2¢ a pound, payable when raw cotton is moved from bale into processing, and the floor taxes, levied against wholesale stocks on hand Aug. 1, against retail stocks on hand Sept. 1 served to create a temporary boom of demand which makes present appraisal of permanent benefits a hazardous undertaking. Retailers with empty shelves and wholesalers with vacant warehouse space, seeing higher prices and extra taxes in prospect, began buying in such quantities that cotton mills made new production records during May, June, and July.

With the incentive of extra volume and profits removed when the floor tax on wholesale stocks became effective on Aug. 1, mill orders dipped down to pre-boom levels. Retailers began a campaign to stimulate consumer buying of cotton goods stocks, so as to move the stocks before Sept. 1, when the floor tax on retail stocks was to be applied. Current employment at some of the mills is back to the March level. But the majority have from 15% to 25% more workers on the job and report payrolls 20% to 35% higher than pre-code.

New England Expectant

Operators who are familiar with conditions in both Northern and Southern production areas claim that, even during the brief period of code operation to date, it has been demonstrated that, unless the provisions of the code are revised, New England may now hope for eventual restoration to the position of dominance which it enjoyed before migration to the South became stylish and profitable. They point out that, with a differential of only $1 in minimum wage and no difference in maximum working hours, Southern mills face a real handicap. Lower wages and longer working hours had constituted the real advantage of the South. The $1 differential is called insufficient to offset the extra burden of costs carried by Southern mills in the maintenance of mill villages. Under the present set-up New Englanders clearly foresee their recovery of the quality trade, with the Southern mills becoming more closely restricted to the low-price market.

Those interested in building for permanent stabilization of the industry hail NIRA as a welcome aid in that direction, say it has already had a salutary effect upon competitive conditions in forcing manufacturers to give greater attention to production costs. Previously every mill operator had been more or less a law unto himself. During the several years of decline, wages had been adjusted to offset the continuous drop in prices until during the period immediately preceding the NIRA code they had gone to almost unprecedented depths. Operators who had capitalized the flexibility of the wage factor now find themselves hard put to set a minimum wage that, in some cases, is higher than the former maximum.

See Weak Eliminated

Leaders in the industry hold that increased costs, in combination with the burdens imposed by the processing tax, may result in the elimination of a considerable number of mills. They suggest that many have been able to survive because they were able to do business on a small capital frequently turned over. Operation under the code increases the demand for working capital tremendously and, in addition, manufacturers are compelled to pay the 4.2¢ per pound processing tax, when each bale of cotton is opened. A New England operator, to illustrate the extent to which the need for operating capital has been increased, cited the fact that one of the large mills which had operated

Globe

THE COTTON CHECKS GO OUT—Nobody signs the checks the government sends out to the cotton planters who ploughed under part of the crop to help prices. They are authorized by machine at the rate of 1,500 an hour, saving writer's cramp for the disbursing officer.

on its own capital throughout both boom and depression, recently borrowed $1 million, to meet the new need.

Those who are active principally in the marketing of cotton-textile products see the possibility of a definite decline in the total demand as the direct result of the higher costs imposed by the code and the processing tax. They claim that the margin of price advantage previously enjoyed by cotton goods over competing fabrics is narrowed perilously and insist that relief must be obtained if cotton is to retain its relative position in the field. They forecast that at the hearing, scheduled for Sept. 7, much evidence will be presented to support the increasing demand for revision.

Wholesalers Worried

Wholesalers report that "the bottom has dropped out of business" since the textile code went into effect and the processing-floor taxes had to be included in current quotations. They point out that the combined result has pushed prices from 50% to 100% higher than pre-code quotations and say that retailers just don't see how they can get such increases from the consumer. They know that the retailers are busy unloading all the goods they can move before Sept. 1, when the floor tax on retail stocks is imposed, and expect that thereafter the larger buyers are going to watch consumer reactions to the higher price levels before making commitments for any considerable quantities.

These wholesalers estimate that when the August retail sales at pre-tax and pre-code prices have ended, the larger retailers will still have stocks to meet the demand for 1 or 2 months to come, which they must sell at prices that include the Sept. 1 floor tax. Many will find themselves with sufficient stocks to carry through the year-end. So neither wholesalers nor retailers expect to have an opportunity to gauge their operations under what might be termed normal post-code and post-tax conditions until the usual January white-goods sales are staged.

Price Control Urged

Manufacturers who have studied reactions in both the producing and selling branches of the industry predict that, aside from needed adjustment of the tax problem and stricter functioning of the various code control committees, an amendment to the code to provide for some method of price control will be sought. They report increasing sentiment favoring the establishment of minimum prices as the best means of obtaining some degree of stabilization and add that certain groups of operators are already working for eventual adoption of the open price plan (*BW—Aug19'33*).

Codes Pass Wage Test

Compared with pre-NIRA earnings and hours, labor standards set in codes promise a real boost in buying power—and production costs.

DOUBTS have been raised as to how much of an increase in purchasing power is achieved by NIRA codes that set minimum wages at $14 a week, the figure called for in the President's Reemployment Agreement. Data just released from a comparative wage study which has been completed by the National Industrial Conference Board should help to resolve them.

The Board finds that the average amount per week received by unskilled male labor in 21 major manufacturing industries was $15.83 in June, 1933, as compared with $14.42 in May. Corresponding figure for 1926, the "100 year" of the Administration's recovery index, was $23.22. Noting that this is the average, not the minimum, the survey concludes that it will be necessary to increase the wages of a large proportion of the unskilled male workers to enable them to earn $14 in a 35- or 40-hour week, particularly since the work-week required to yield this income averaged 43.1 hours in June. In 4 industries—Northern cotton, hosiery and knit goods, meat packing, and wool—workers were putting in longer hours than in 1926 and in most instances where wages averaged above $14 longer hours were the rule rather than the exception.

In the list of 21 industries highest June average weekly wages to unskilled workers were paid by the automobile manufacturers—$22.85 for a 45.9-hour week. The longest week was put in by Northern cotton hands—52.9 hours for $15.49 (which throws some light on the potential effect of the cotton textile code's 40-hour, $13 minimum provisions).

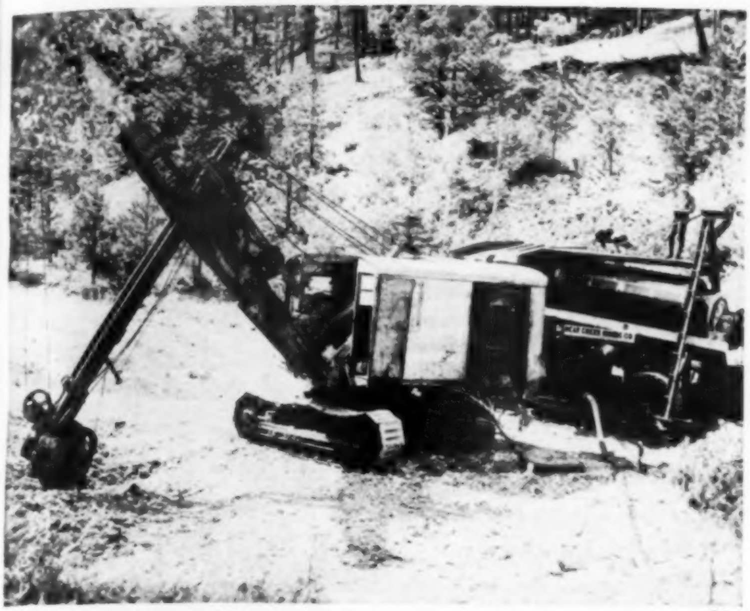
The lowest wage was $10.68 paid to unskilled furniture workers for a 40.9-hour week. The shortest workweek on the record was that of the agricultural implement industry—36.8 hours at an average of $14.30 for unskilled employees. In every case, except the 4 previously mentioned, hours have come down since 1926. In all cases wages have come down more precipitously.

Before and After

In the case of industries already under special codes interesting comparisons can be made between average June weekly earnings and average hours worked per week by unskilled labor, as taken from the Conference Board survey, and the minimum wages and maximum work-weeks called for in the codes.

International News

WAGES OF RELIEF—Unemployed built this new highway bridge over the Catawba River in North Carolina. On the right, the new bridge, with ample width for the traffic on U. S. No. 29. Left, the old bottle neck bridge.



Globe

GOLD IN THE BLACK HILLS—In its Spearfish Canyon development, the Bear Creek Co. uses a steam shovel to charge the new placer machine. Gold miners everywhere now enjoy the premium offered beyond the embargo boundary.

The comparison, presented in detail, shows up as follows:

Automobile Industry—$22.85 for 45.9 hours in June against 40¢-43¢ according to size of city for 35-48 hours according to season (working out to $14-$20.64 a week) in the code; Northern Cotton—$15.49 for 52.9 hours in June against $13 for 40 hours in the code; Electrical Manufacturing—$15.60 for 37.8 hours in June against 40¢ an hour for 36 hours (working out to $14.40 a week) in the code; Steel—$15.31 for 47 hours in June against 25¢ to 45¢ an hour according to region for 40 hours (working out to $14-$18 a week) in the code; Lumber—$12.61 for 42 hours in June against 23¢-45¢ an hour according to region for 40-48 hours according to season (working out to $9.20-$21.60 a week) in the code; Wool—$17.60 for 50.4 hours in June against $14 North, $13 South, for 40 hours in the code. Except that the June wage figures were averages for unskilled labor and the code figures are minima, the gain would not look impressive. Much depends on how generally the minimum becomes the standard. And it must also be remembered that in reducing the work-week, the codes are also making new purchasing power by making new jobs—which was their chief purpose.

Significant addition to the Conference Board's analysis of its figures: "If the earnings of workers now receiving less than $14 a week are increased to that level, and if the weekly earnings of other workers are maintained at their present level, the general introduction of the 35-hour week will result in a very considerable increase in the labor costs of manufacturing concerns." However, it will be noted that, of the industrial codes so far approved, only one—coat and suit—comes down to 35 hours and only 2 more drop below 40 hours a week.

Stainless Silver

Japanese engineer gets patent on silver alloy which does not tarnish.

Tadashi Tanabe, a Japanese, after years of experimenting with silver alloys in an attempt to find one which will resist corrosion under normal exposure to air and moisture, has developed an alloy, with zinc and tin, which has met all specifications in all tests. Patent rights have been granted in both Japan and the United States. Several firms are already interested in the purchase of American patent rights.

The feature of the Tanabe alloy is that it not only resists actual tarnishing, but retains its natural silver lustre, and is harder than unalloyed silver but still easy to work. Besides being utilized in the usual line of industrial art objects made of silver, technicians see possibilities for using it in wire.

The content of zinc in the new alloy ranges from ½% to 20%, of tin from 10% to 40%.

In the last 12 years, an average of 36 million fine ounces of silver have been consumed annually in the industrial arts.

Fire Losses

Insurance companies are not so happy about the 60-day rule now that business is getting better.

FIRE losses for July—$20 millions, says the National Board of Fire Underwriters—were 39.4% under the record for July, 1932. The total for the first 7 months chopped 27.9% from that of the corresponding period of last year. For every month of 1933 the fire insurance companies have been luckier than they were in the same month of 1932, which leaves them increasingly optimistic about the year's profits.

Fire insurance men have been arguing as to how much the imposition of the 60-day rule has had to do with this improvement in the record. Last March the National Board companies announced that all claims over $100 would be held up for the 60-day investigation that has always been permissible under their contracts (*BW—Apr26'33*). Subsequent decreases in loss have been credited to this action—though not entirely without dispute among actuaries.

The disputing has increased as companies have risen from the depths to which some of them had dropped when they called for the rope. Business is getting better—and competition is getting hotter. Immediate payment may become a sales weapon in the hands of non-stock insurers or some stock companies. Perhaps it was all a coincidence. And, if it wasn't, perhaps it's time to think about the effect of delay on the customer who encounters its disappointments at the time when he is getting his only intimate contact with insurance service. A few voices are being raised against "a policy of treating all claimants as incendiaries until proved innocent." The 60-day rule has been twice liberalized since March. Similar action will be discussed when the National Board of Fire Underwriters resumes its monthly meetings this month. There are other questions to be discussed, mostly regarding investment portfolios.

Songwriter's Dirge

Tin Pan Alley blames its own depression on the radio.

ART hath its technological casualties no less than industry. Songwriters who formerly affected Rolls-Royces now tread the reaches of New York's Tin Pan Alley in worn shoe leather. Reduced income from torch songs, ballads, dance turns has shrunk and the victims join in a general dirge of protest. A survey by the American Society of Composers, Authors and Publishers

shows what has happened, lays the blame on radio and the talkies.

The society estimates that the radio audience grew from 16 millions in 1925 to 60 millions last year; that expenditures for broadcast advertising rose from $3,832,000 in 1927 to $39,107,000 in 1932. This increase had significant repercussions. From 1925 to 1931 piano sales slumped from $93,670,000 to $12 millions, phonograph sales from $22,600,000 to $4,869,000, royalties from phonograph records from $780,568 to $169,248. Sales of sheet music declined from $2,639,000 in 1925 to $827,154 last year. The talking picture was a direct blow to musicians, employment in once symphonic movie orchestras dropping from 19,000 to 3,000 in the same period.

Once a hit song sold 1 million or more copies, produced revenue for 16 months. Now the life-span is 3 months, the sale 230,000 copies. This (says ASCAP) is the result of "several hundred broadcasting stations repetitiously and endlessly" dinning music into the ears of the public. Presumably ASCAP will press its campaign to force the movies and radio companies to make heavier payments. It is through lump income distributed through this organization that leading song writers and publishers now receive their principal incomes. The average annual amount divided among composers and publishers was $1,704,000 between 1928 and 1930.

Cheaper Sandwiches

Bread prices are unchanged, butter is lower, sliced bacon and onions cost less. Food index for August rose 2% against a gain of 8% in July.

Bread has become news. Two months ago it got into the headlines when a sensational rise in the price of flour, coupled with the impending processing tax on wheat and wheat products, sent bread prices up to a point that aroused government suspicion of profiteering by the baking companies. This time, the headline supplied by the Department of Agriculture announces that the increase has been checked. The department's spies in 51 cities find that the spread between flour and bread, allowing for the processing tax, has remained reasonably constant. But "consumers will have to watch out for a possible lowering of the quality of bread as an alternative to price increases."

Further good news for the consumer is the report from the Department of Labor which shows that retail food prices advanced less than 2% during August whereas they were jacked up 8% in July. Out of 42 commodities, 32 showed an increase, 8 a decrease, and 2 reveal no change. The largest increase occurred in flour prices which were 20% higher. Butter prices dropped 12%, contrary to the normal movement for this time of year. Onions, cabbages, potatoes, lard, and sliced bacon were lower. Cheese and coffee remained unchanged.

Wholesale prices did not change greatly during August. The index stood fractionally lower than a month earlier. The sharpest decline was in farm products, which fell a little over 1%. Food products declined 0.3%. House furnishings, building materials, metals, and textiles were higher.

Refrigerators

July sales, seasonally lower than June, still reflect improvement.

Electric ice box makers who were somewhat surprised by all-time records broken in May and June report "very satisfactory" sales totals for July.

May, as has been told, registered 212,770 units, the high for the industry in the low of depression. Then came June with an unseasonal increase to boost the record to 213,420. The 6-month total sums up to 666,750, compares with 589,955 in 1932 and 597,454 in 1931, previous record year.

July's 128,317 represents a big drop from the dizzy peaks of May and June, but the business is seasonal, after all, and the figure compares very well with the July, 1932, figure of 28,785 and the 1931 July figure of 101,000. In fact, it was far and away the best July in the limited history of the industry.

July brings the total for the first 7 months up to 795,067—which is only about 5,000 less than the quota for the whole year as set by the comparative optimists who set quotas and define hopes in any industry. With 5 months to go, the industry aims to sell many more than enough to bust the quota. There's a big refrigeration promotion campaign due the last of September, too.

G-E SHARPENER—A tiny motor drives parallel rotary strops which sharpen the blade, stop automatically. The whole device is but little larger than a child's building block.

Appliances

Washers, toasters, cleaners, other electrical appliances, follow the redesign road of the refrigerators.

Encouraged by the happy fortune of the refrigerator makers, who put out new models and reaped a record harvest, makers of smaller electrical appliances are busy over their drawing boards modernizing old lines and bringing out entirely new products.

Some of these new appliances and new models of old appliances are still in the experimental stage. Others are now on the market. Among them (without pretense of complete listing) are new washers, vacuum cleaners, razor sharpeners. In the immediate foreground are coffee urn sets, toaster trays, and other adjuncts of home entertaining, including the chafing dish, now undergoing a renascence on account of beer.

Waters-Genter has provided a new setting for its Toastmaster automatic electric toaster. Called the "hospitality tray," it makes a place for the toaster flanked by square glass dishes for butter, cheese, anchovies, pickles, marmalade, and the other decorations for toast at leisurely Sunday breakfasts and suppers. On the other side of the toaster is a space for the sliced bread, a cutting block, and a knife for trimming crusts and dividing sandwiches. Price, $3.75 with toaster; $7.50 separately.

Geier (Royal Vacuum Cleaner) is out with a new kitchen helper called, as

might be expected, the "Royal Culinaire." For $24.50 it will do most of the manual labor of the cook—whip, beat, slice, shred, grind, chop, and squeeze.

Apex has a new vacuum cleaner which will do almost everything but answer the doorbell. It has a 2-speed motor, a swivel handle to aid in navigation around furniture legs, a headlight to keep from hitting same. A foot pedal and a numbered gauge permit the housewife to "dial" the proper floor adjustment according to the thickness of the rug. Sells for $49.50.

General Electric, busy as it is with bigger things, has found time to redesign its little electric razor sharpener and bring it out in a popular-priced model. Regular model, $6.95; new model, $4.95. Both take any double-edged blade, spin up an edge better than new automatically, the motor shutting off at a predetermined time.

The same company, to go to the other end of the appliance line, announces the G-E laundry. Going the successful way of the G-E kitchen, it offers clothes dryer, ironer, washer, set tub, hot plate (for boiling clothes), ironing board, electric clock, and lights. All designed to go with each other, replace the miscellaneous and scattered units often found in home laundries.

Between these G-E extremes is a new power-brush vacuum cleaner for $29.50 and several new coffee urns and chafing dishes for the home beer trade.

Washing machines, old standby, show the effects of increased merchandising activity. Many have followed the lead of Sears, Roebuck and put all the controls on a single panel. This year, the big safety sales feature is the grounded filler hose. Some boast the luxury of a filter for the water.

Back to Buffalo

Pierce-Arrow is once again home-owned as well as home-made.

BUFFALO is a proud city, proud of its many and varied industries and their standing. This week, Buffalo is jubilant over the return of Pierce-Arrow to its honor roll of home-ruled industries.

It is 5 years since control of the pioneer motor maker passed into the hands of "outlanders." In 1928, Studebaker acquired working control of the stock, later increased its holdings. Then came the chill winds of depression, and in the ensuing freeze-up Studebaker, which had extended itself on the White deal, was blown into receivership. At that time, Pierce-Arrow emphasized its independence of the action.

Last week, Federal Judge Slick in South Bend authorized the sale, and Pierce-Arrow is again owned by Pierce-Arrow, which means by Buffalo. Heading the new company is Arthur J. Chanter, president in Studebaker days. Collaborating in the home-coming are other Buffalo business men and bankers associated with the company in former years: George F. Rand, president Marine Trust; Seymour Knox; J. F. Schoellkopf, Jr.; Roland Lord O'Brian; John Jay, of J. & W. Seligman; Lester Watson of Hayden, Stone; the last two members of the Pierce-Arrow board in the future as in the past.

Likewise prominent in the picture is Roy Faulkner, who built up Auburn in its spectacular year, who left to head sales activities at Studebaker, who was transferred to Buffalo and who remains as vice-president in charge of sales in the new setup.

The price of Pierce-Arrow freedom was $1 million and unknown valuable considerations. Reorganization plans provide for 750,000 shares $5 capital stock to be exchanged for the present preferred and A and B stocks. Present preferred shares exchange for 3.2 shares of new common, retiring 8,900 shares. Class A swaps for 1/10, class B for 1/25 share of the new stock. No public issue is planned; strictly a family affair.

Prospects are better. Pierce-Arrow earned (forgotten word) $4,770 in the last quarter ending June 30, a great gain compared with losses of $259,505 in the preceding quarter and $878,800 in the quarter ended June of last year. Loss for the first half of the year is just about a quarter of the loss in the first half of last year.

The new company will concentrate on fine cars. Trucks, which passed to the White Co., are not included in the purchase. Equipment has been improved to the tune of $2 millions since 1930. Aim is to make and sell cars to be proud of, in Buffalo or elsewhere.

Business Week

"DOING IT BETTER"—Installing a gas burner in a Chicago home to fulfill the promise of the new pipe line and the old slogan.

Chicago Gas

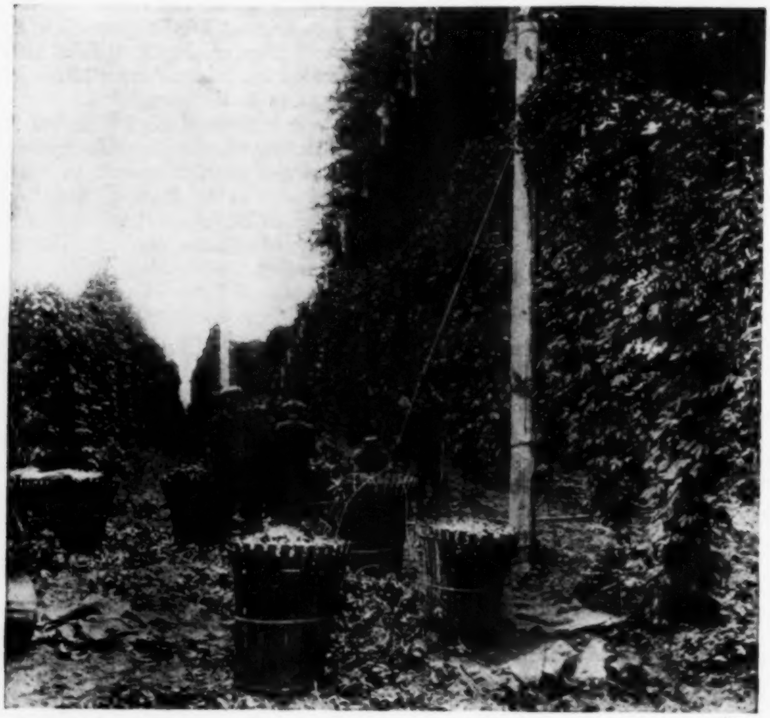
A pipe line, a reduced rate, and a big drive give a new meaning to an old slogan.

FOR ten years, Chicagoans have seen the slogan, "You can do it better with gas," sighed, added, "Yes, if you're rich," and let it go at that. In that time, only 7,000 homes were sold on the advantages of gas heating when the winter winds blow chill off the Lake.

All this has been changed. The three major distributors, Peoples Gas, Light & Coke, Public Service, and Western United Gas & Electric have cooperated on a campaign to put 60,000 gas burners into the cellars of Chicago by midwinter. Reason: the $75-million pipe line stretching a thousand miles cross country to the Texas Panhandle, through which may be pumped 175 million cu.ft. of gas in a day.

While coal-stoker and oil-burner salesmen scrambled, 200 gas salesmen rang doorbells. Backed by radio and newspaper advertising, they signed up 100 a day in midsummer.

To aid them in dotted-lining-up, gas rates were reduced to 7¢ a therm, half



Acme

BEER DID THIS—Hop growers in Oregon, who need no farm relief, prepare for the short harvest season. The "pole puller" on the right lowers the wire to which the vines are trained. Soon,* whole families will come down the row, picking the little green cones which flavor the new brews of the nation. After picking, the hops are dried in a kiln, bagged for market.

the 1930 price; terms were broadened to make possible installation with no down payment, $149.50 at the end of 9 months, with removal at customer's option if dissatisfied.

To simplify installation, reduce expense, a "packaged" burner was devised (see illustration) which makes things quick and easy for the service man, emphasizes the simplicity of the fuel.

Beer Makes Good

For once, the Treasury underestimates returns from taxes. The country likes its 3.2, and pays for it handsomely. The future is frothy with expectation.

BEER, our industrial Lazarus, proves its gratitude for release from the prohibition graveyard by cheerfully meeting its promised production of revenue. Taxes paid on 3.2 brew since April indicate that original estimates will be met, maybe bettered. In the Treasury Department, there is a stein on the table and a good song ringing clear. For once it will not have to be called up on the carpet by Congress because it founded predictions of returns on hopes rather than on realistic expectations.

Government figures just released show that beer has shouldered into third place as a producer of federal revenue. It is exceeded only by income and cigarette taxes, is well ahead of its nearest contender, the gasoline levy. In July it passed income revenues because no quarterly payment on incomes is due in that month. Receipts of all federal beer taxes from April 7 to July 31 totaled $54,119,000. While the Beer Act was brewing it was estimated that legalization would pour $125 millions or more into the Treasury. Thus, in a little less than its first 4 months, beer taxes have produced over 43% of the minimum expectation.

It is needful to blow off the froth to see these figures realistically. Early yields were low because the brewers were unprepared for the speed with which the bill went through Congress. First demand could not be met. But feverish expansion has multiplied production until most people who want beer can buy it. Sales leaped in June and July; hot weather boosts beer drinking. In using the first 4 months as an indicator for the next 8, it must be remembered that beer demand will subside after the heat of August and September. Ergo, it might be unfair to multiply the $54 millions by 3 to estimate the year's tax.

On the other hand, beer partisans protest that the national market is not yet fully open. In 6 states the beverage may not yet be legally sold. Actually these dissenters (Alabama, Georgia, Kansas, Mississippi, Virginia, Utah) are not of large importance since populations are small compared to states allowing sales.

More to Come

Citation of such facts does not abash the beer industry, which predicts that the federal tax will beat the top estimate of $150 millions. These are factors in the situation which do not meet the cold, statistical eye: (1) Times are getting better; more work and better wages will mean greater spending for beer. (2) Advertising and sales organizations are just getting in tune, assuring a more vigorous sales drive. (3) Distribution and retail outlets are being properly developed.

Such factors lead C. D. Williams, secretary of the revitalized U. S. Brewers Association, to predict, "If the present rate of beer consumption is continued, its federal tax revenue will have reached $185 millions by April, 1934." In other directions Mr. Williams sees danger clouds. The one threatening a beer deluge is considerably larger than a man's hand. "There are indications that a rush of newcomers into the brewing industry is under way, with grave danger of overproduction and its attendant evils of price-cutting and questionable competitive practices."

Production Adequate

Ardent promoters and thawing investors had better take a look at present consumption ratios before building a lot of new plants. Total U. S. sales to the end of July were 8,767,000 barrels of 31 gallons each, total production 11,616,000 barrels. Surplus is 2,849,000 barrels. An excess is desirable, since beer must be aged. This reserve is a little larger than total drinkings in July—which is about as it should be. But a stampede of new companies and blind expansion of existing plants could easily flood the market. Brewers figured on an ultimate production of 40 million barrels. It may be attained before the national thirst is able to absorb it.

When beer was made a tax producer, Congress felt justified in favoring the manufacturer, took a pot shot at the home brewer. Brewers' wort is a necessity for the kitchen braumeister. A tax was slapped on this product. Returns give a definite picture of how brewers'

GAUNT DESOLATION is the tenant of vacant apartments, empty offices, bare and unused buildings. He pays no rent. He's in league with those two well-known rogues, Decay and Deterioration.

Two services of Otis Elevator Company are arch-enemies of Gaunt Desolation. The *Otis Modernization Plan* and the *Otis Maintenance Service.*

The Modernization Plan provides for the rejuvenation of aged elevators at reasonable cost. They are given latest features of economy and passenger comfort. Old fixtures and finishes are replaced with a new and modern dress.

The Maintenance Service provides the skilled hands of Otis men for regular and intelligent elevator care.

Suggestion: Have the engineers of Otis make a survey of your elevators. They'll do it free and give you a comprehensive report. At the same time, they'll supply first-hand information on the *Modernization Plan* and *Maintenance Service*. Arrange for this survey with the telephone on your desk.

The Otis Elevator Company has offices in the principal cities of the world, or at 260 Eleventh Avenue, New York City.

WINDOWLESS FACTORY—Those aren't windows, they're panels of white brick put in to satisfy old timers who can't take their functionalism straight. The building is the new mill of the Blandin Paper Co., was made windowless in order to get better air conditioning for the paper-making process than would be possible with windows and varying daylight and dark.

beer is displacing the home product. Tax payments on brewers' wort were $105,000 in April; by the first of August collections had slumped to $20,000.

All figures above are for federal taxes. What have states and municipalities realized from beer revenues?

The U. S. Brewers Association has compiled figures for 28 states which extracted $5,803,000 from beer sales and manufacturers' taxes during April, May, and June. Since this figure does not include city or county levies it is no basis for even a guess at the total.

Brewers and Repeal

It will shock some of our citizens to learn that the brewers profess a profound disinterest in prohibition repeal. Reasons are spiritual and financial. First, the gentle 3.2 probably has closed more speakeasies than all the prohibition drives put together. It is dethroning alky kings and racket potentates. New York's Alcoholic Beverage Control Board has reports to prove that beer has reduced drunkenness, also crimes resulting from the same. Here is no ammunition for a future attack from the Drys. They might be roused by hiking the alcoholic percentage. Lawmakers would almost certainly retort with higher taxes.

The federal tax of $5 a barrel is on 3.2, which Congress sanctioned by solemnly concluding that it was not intoxicating. Removal of prohibition will allow beer of any strength, but the stronger brews will automatically go back on the old tax rate of $6 a barrel. Brewers would rather retain the lower percentage than pay that extra dollar.

The 13 outlaw years gave brewers time for much thinking. They discovered that public opinion when carelessly used may explode with disastrous results. Solicitude and tenderness is now the rule, whether in headquarters strategy or open merchandising. Do you remember the old Anheuser-Busch lithograph of "Custer's Last Stand"? It showed the redskins at their scalp collection with a frankness calculated to awe the most callous bar-fly. How this gory panorama would make anyone want to buy beer is something that stumps the present-day sales manager. Beer has now moved into snooty restaurants and Park Avenue living-rooms. Ads are aimed at women and the home. Instead of Sitting Bull's braves and their busy peeling knives, pictures display lovely ladies gazing rapturously at beer bottles. Groceries and other retail stores patronized by women are principal points of distribution. Publicity combats the belief that brews are fattening.

In spite of clever merchandising beer sold in kegs is gaining on bottled beer. The public is deciding that draught beer tastes better. Makers and distributors must fight to hold the home market. Somebody may make a fortune out of a small and economical keg and cooling installation for the home. There are lots of cellar bars, established during prohibition, ready and waiting to form a primary market.

Increasing popularity of keg brew is a break for (*a*) landlords with stores that may be occupied by "beer gardens," (*b*) restaurants and hotels equipped with cooling coils and spigots, (*c*) makers of large containers whether of oak or metal. The stimulus is being acknowledged by restaurants and hotels. Just how much the improvement is the result of better general conditions and how much to beer is a question. Hotel statistics prove that beer sales have gone up faster than food sales. In the case of the Hotel New Yorker, food sales during a period of the summer increased 3.9% over last year, while beverage sales shot up 66%. Some of this remarkable increase was due to ginger ale and carbonated water, but most of the advance must be credited to the new brew.

T.V.A. Makes a Start

Tennessee Valley will be the proving-ground—and battle ground—for public ownership of power.

APPLICANTS seeking jobs with the Tennessee Valley Authority find that one of the most important questions is whether they show "public spirit and social kindness." The notion of setting up such a criterion has amused the cynical, and has led some observers to suppose that the agency which is to revolutionize social conditions in 20 million acres of the Tennessee watershed must be wholly visionary, a little soft, and probably gullible.

They are mistaken. The two Morgans (A. E. and J. H. A.) and the lawyer, David E. Lilienthal, seem to keep their feet on the ground pretty firmly, stepping cautiously toward their objective, but refusing either to be hurried or to be led into schemes to benefit special groups of promoters.

Projects definitely undertaken by T.V.A. are only two thus far—the building of Norris Dam at Cove Creek and building of a 220-mile power line from Muscle Shoals to the new dam. Other highly speculative news stories describe proposals, not decisions.

The new power line will be the backbone of the permanent power system for the Valley, to be definitely under public ownership and public operation. The Muscle Shoals controversy culmi-

nates in this evidence that power generation and transmission is to become a governmental function in fact. T.V.A. has requested that the Federal Power Commission give no further permits or licenses for power development in the Valley, as it intends to exercise all such rights itself. One section of the Act founding T.V.A. seems to show clearly that was Congress's intent.

Court Struggle Forecast

Public utilities of the region are to have a very real competitor. There is every chance of long and bitter struggles in the courts. But T.V.A. unquestionably will be the agency first to apply the President's ideas of federalization of the power system. Roosevelt was a state control man while governor, but is a federalist with a vengeance now. Anyone who doubts this need only notice his personal influence which provided $400,000 from public works emergency funds for an inquiry on a national scale of the cost of generating and transmitting power.

Public utilities are worried—and should be.

T.V.A. was devastatingly clear in its formal announcement of policy, just issued. It said: "The business of generating and distributing electric power is a public business. . . . The interest of the public in the widest possible use of power is superior to any private interest. Where the private interest and this public interest conflict, the public interest must prevail. . . .

"The fact that action by the Authority may have an adverse economic effect upon a privately-owned utility, should be a matter for the serious consideration of the Board. . . . But it is not the determining factor. . . .

Spheres of Influence

"The Authority plans initially to serve certain definite regions . . . Muscle Shoals, Norris Dam, and between . . . At a later stage . . . roughly, the drainage area of the Tennessee River in Kentucky, Alabama, Georgia, and North Carolina, and that part of Tennessee which lies east of the west margin of the Tennessee drainage area.

"To make the area a workable one and a fair measure of public ownership, it should include several cities of substantial size (such as Chattanooga and Knoxville), and, ultimately, at least one city of more than a quarter million, within transmission distance, such as Birmingham, Memphis, Atlanta, or Louisville.

"The Authority may go outside the area if there are substantial changes in general conditions, facts, or governmental policy . . . or if the privately-owned utilities in the area do not cooperate in the working out of the program. . . .

"Every effort will be made by the Authority to avoid the construction of duplicate physical facilities, or wasteful competitive practices. Accordingly, where existing lines of privately-owned utilities are required to accomplish the Authority's objectives, as outlined above, a genuine effort will be made to purchase such facilities from the private utilities on an equitable basis.

"Accounting should show detail of costs, and permit of comparison of operations with privately-owned plants, to supply a 'yard-stick' and an incentive to both private and public managers."

Fertilizer development with the wartime white elephant, Muscle Shoals Nitrate Plant No. 2, may be undertaken by the Authority. Certainly the fertilizer is going to be made. The Act virtually requires this on a scale to determine commercial cost, and if possible to cheapen fertilizer for the farmer. But there remain 3 immediate questions:

What Kind of Bookkeeping?

(1) Shall T.V.A. make ammonia at Muscle Shoals, or buy it? The decision will probably hinge on the cost-accounting system adopted for Muscle Shoals bookkeeping. On one accounting theory, ammonia can be made locally for about 3¢ a pound. It would cost commercially delivered there about 4½¢. Customary industrial bookkeeping methods would not leave such a wide margin.

(2) Potash can be purchased from two New Mexican mining companies, or California sources, or from importers, or possibly from cement plants (*BW—Aug12'33*). Recovery of potash from Valley minerals has been proposed. This might be combined with phosphoric acid production, but would more likely lead to rock treatment, with cement raw material as a by-product. But to make the quantities of potash wanted would produce cement-making material vastly in excess of any needs of the Authority.

A Phosphate Tryout

(3) Furnace methods for phosphoric acid and phosphate fertilizer making will unquestionably be tried out on a substantial commercial scale. More enthusiastic advocates urge making enough to correspond to the capacity output on Nitrate Plant No. 2. That would supply 10% or 15% of the entire country's fertilizer need. National Fertilizer Association naturally doesn't encourage the idea. Prospects are for a much more conservative plant, probably 5,000 to 10,000 tons per year of phosphoric acid. This output equals perhaps 2% of the United States farmers' needs in normal times.

A half dozen outside commercial groups would like to be partners with T.V.A. in the phosphate developments. Several of these groups concede that they have "the best and most profitable process." One concern claims it has the exclusive patent rights for developing the government's own processes. There seem to be no limits on the optimism or recriminations involved. T.V.A. will probably solve the problem by doing its own development work. It has the privilege of utilizing any person's patents, with the sole remedy to the patent owner of action for damages in an appropriate district court.

PENNY SMOKES—This slot machine carries popular brands of cigarettes to the lowest income brackets. Those who can't buy a whole pack can get a single smoke for a cent.

Casual reference by J. H. A. Morgan to supervision of a new cement plant aroused the suspicion that T.V.A. was to make its own cement for Cove Creek dam. No confirmation for this idea has been found. Cove Creek, if built according to present designs, will require from one-half to one million barrels of cement. To make all the potash required for fertilizer equivalent to Muscle Shoals capacity would necessitate production of more than 5 million barrels of cement a year. The lack of balance here shows one obvious reason against attempting cement making commercially by T.V.A.

Forest Resources

Forest products development in the Valley is urged. By conservative handling, with newsprint as the first objective, estimates are that T.V.A. could employ a substantial percentage of the whole Valley population on reforestation, wood cutting, and processing, without destroying any other American industry. This plan would tie in with the desire to eliminate submarginal agricultural land, and give rural employment in neighborhood type of industries. It seems to be viewed with great favor by the board members. No experimentation has been started nor are projects yet in other tangible form.

Some important decisions in this direction may be expected soon.

Mineral resource development, much talked of in advance of establishment of T.V.A., now worries the technical staff. Official surveys of such resources fail to disclose any with great commercial promise or even good prospect of being self-sustaining in the present competitive markets. Subsidy through use of extremely low power seems to offer the only chance here. Government money at 4%, with little need for depreciation reserves, also intrigues some estimators.

Social development, without any ruthless competition with existing industry, governs T.V.A. consideration of these matters. The board flatly refuses to be regarded as an emergency agency which must rush forward to give unemployment relief. Its policy calls for deliberate studies, largely out in the open, always subject to discussion by interested business executives. The President has provided a board which in its own small number includes assurance of a knowledge of the laws of science, the laws of engineering, and the statute law. Social experiments of large significance are to be expected, but business men need not fear competition unless their industry has been excessively laggard in its own economic development.

Only the utilities should worry.

Silicosis Menace

Racket developing in lawsuits against contractors, quarries, foundries on rock dust disease.

RAPID increase in silicosis suits is giving serious concern to the construction, quarry, and mining industries and to foundries and glass works. At the completion of a 3-mile tunnel in West Virginia recently, 200 damage suits aggregating $4 millions were filed against the contractors. Suits totaling over $30 millions have been brought against upstate New York foundries in the last year or so. Damage litigation now pending probably totals more than $20 millions and $100,000 claims are being entered now instead of for smaller amounts as in earlier days. Employers don't know what to do.

Silicosis is an occupational disease caused by prolonged exposure to dust containing free silicandioxide, which is present in most rock formations. It forms microscopic particles that are not controlled by wet drilling or ordinary ventilation measures. One or more year's exposure has produced fatal results 16 to 20 years later from fibrosis of the lung tissues. The disease has been recognized for 20 years but there is no known cure. Canada has placed

it on the compensation list. South African mines are compelled to care for employees who contract the disease. But it has not been made legally compensable in this country, since it is not an accident and insurance does not cover. State liability laws also lack uniformity, which makes it worse.

Now suddenly there is an epidemic of law suits, induced in part by growing realization among the workers of the silicosis menace and in part by legal racketeers who have been stirring up trade on a contingent basis, by getting workmen to lodge complaints against employers. The first trial in the West Virginia suits ended in a hung jury after 6 weeks. One man who sued had worked 2 days. One was a water boy who never worked in the tunnel.

Prevention Problems

The problem lies in the fact that no dependable prevention measures have yet been developed. Two equipments are in experimental use but not on the market. One is a portable dust collector, the other is stationary with pipes installed to serve the job. The only sure prevention is to collect the dust at the source or to equip the worker with a positive type respirator, which interferes with his freedom of action.

Meanwhile, the only protection for the employer lies in medical examination before and after each job and at frequent intervals during the work, so that men who show signs of susceptibility can be removed from exposure. But the medical profession disagrees as to the length of exposure that is safe and very few doctors are capable of diagnosing silicosis at all. Hope for both the worker and the employer lies in awakening these industries to the seriousness of the situation and hastening the development of preventive organization and equipment. Until then lawyers will make merry.

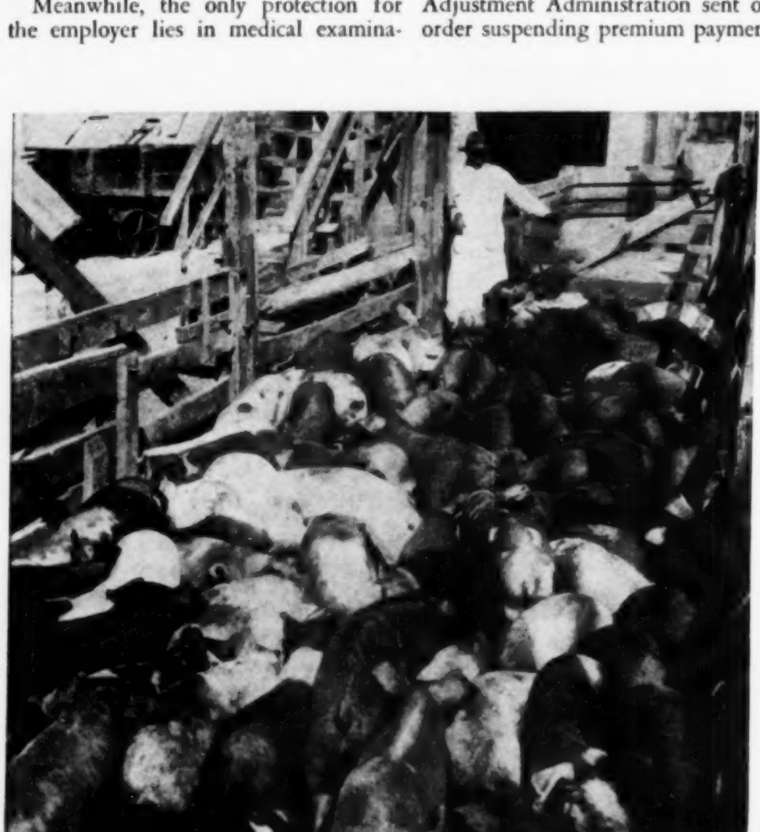
Nothing Quiet on Farm Front

Agricultural "adjustment" meets an overwhelming response, is active all along the line, but farm incomes don't show it.

THE government's pig infanticide program (*BW—Aug26'33*) had to be stopped, at least temporarily, in order to catch up with the large number of young pigs that were being offered on the altars for hog stabilization. In 5 days Chicago took in 555,000 pigs and the government paid out \$2.7 millions. This marketing has swamped the facilities of stockyards and packing houses. The same condition prevailed at St. Louis, St. Paul, St. Joseph, Omaha, and Kansas City.

In response to an appeal for help the Adjustment Administration sent out an order suspending premium payments on hogs shipped between Aug. 25 and Aug. 29. However, the order had little effect on farmers who wanted to dispose of their porkers. St. Louis was forced to declare a ban of its own as employees struggled to dispose of 50,000 hogs received there in one day.

Before opening the markets for premium porkers—pigs and sows—shippers must now get permission from various designated commission agencies, processors, county agents, or other qualified persons. The Adjustment Administration advised farmers that there is ample time before Oct. 1 to dispose of their premium hogs, and cautioned them not to ship until it is certain that their markets have been authorized to reopen, not to try to ship markets where the producers do not ordinarily sell, and to be sure to obtain shipping permission from their local authorized agent.



Acme

UNCLE SAM, HOG CALLER—Response was immediate when the government offered to buy pigs and sows to cut down pig production, so heavy that it was necessary to put up the bars to slow up the rush to cash in on the government offer.

Loan Lineup

While the Agricultural Adjustment Administration has been swamped by hog farmers, the Farm Credit Administration has been so overwhelmed with applications for loans that it has flooded all facilities of appraisers and bank officials. In consequence, the banks have been ordered to return the initial fees deposited by applicants. The latter will be notified when their applications can be acted upon with reasonable dispatch. The 210 appraisers employed by the Federal Land Banks when the new Farm Credit Act went into effect have been increased to 1,200 actively at work, but it is now estimated that this number will have to be increased to 2,100 in order to handle the appraisal job properly.

Thus far, then, the farmers are responding only too well to the farm relief programs which went into effect only 3½ months ago. The cotton area has been reduced and, though unusually favorable weather has left the crop larger than had been hoped, there is consolation in the thought that cotton prices might have been around 2¢ a pound if it had not been for the plowing up of 8 million acres. What that

would have meant to the general business of the country makes unpleasant thinking. Plans to wipe out 15% of the winter area are now under way.

Milk problems are being attacked on the "shed" basis and may be expanded on a national basis. Tobacco production adjustments are under way. A marketing agreement with the California cling peach growers has been made effective. Growers of tomatoes for canning have had their contract prices advanced 25%. An agreement of sugar interests to correlate production with consumption has been submitted to the Secretary of Agriculture.

What About Buying Power?

In brief, agricultural adjustment is proceeding along a wide front. Has it increased the purchasing power of the farmer and are beneficial effects discernible in industrial quarters?

Up to July the price index of farm commodities had risen to 73 from 49 in February, an increase of over 48%. During that period prices paid by the farmer for the commodities he buys did not rise proportionately and his dollar steadily increased in purchasing power. The first check has come with August.

Prices of the farmer's products have not risen as rapidly during August as the prices of commodities which he buys. The index of the things the farmer buys has now gone up to 112 as contrasted with 101 in February and 105 in July, based on 1910-1914 as 100. Prices of all farm products have fallen slightly from the high of 73 attained during July.

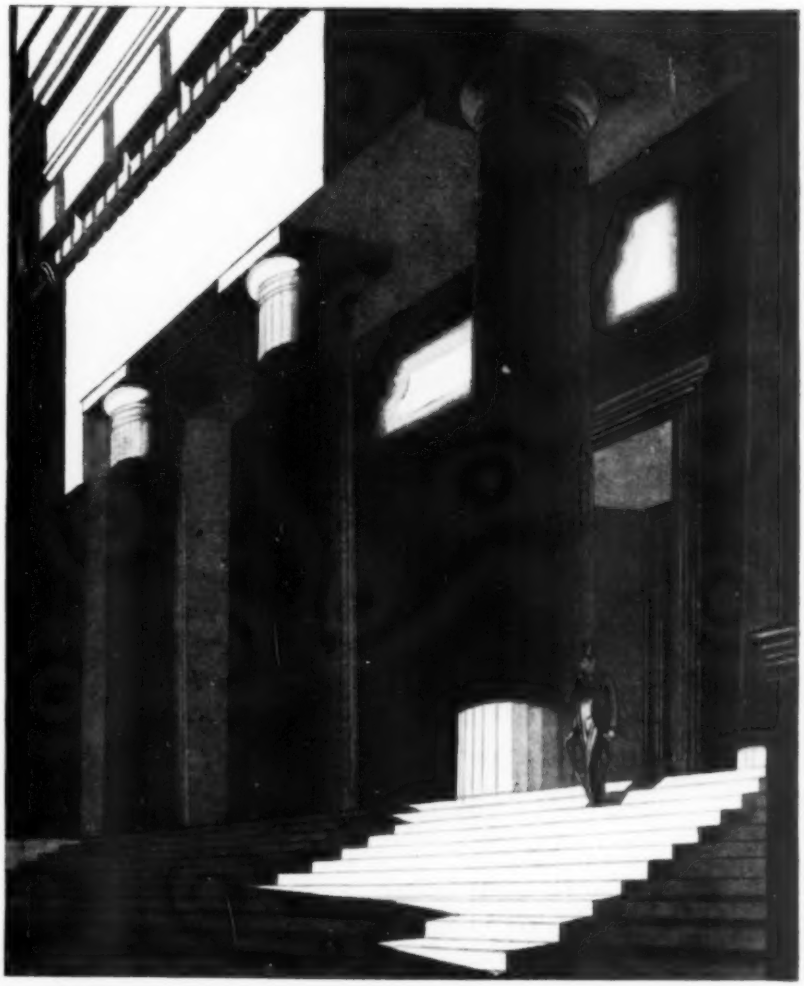
Another factor now diminishing the purchasing power of the farmer is the exceptionally short crop of grains. Unofficially, it is estimated that the total farm income of this year, which represents the farm purchasing power, will not exceed $6 billions, against $5.1 billions in 1932.

For Price-Gougers

AAA plan to keep prices reasonable rests on publicity.

THE Agricultural Adjustment Administration has optimistically worked out a plan to prevent price-gouging. It assumes that if consumers are given the facts, no food processor or distributor can raise prices far above the level warranted by the imposition of processing taxes and higher labor costs. Dr. Fred C. Howe, consumers' counsel, is utilizing the press and the radio to keep the public constantly informed of the relation of price increases to increased costs. Consumers are organizing local councils to ensure fair dealing. Complaints of unwarranted price advances will be referred to the Department of Justice.

The AAA's concern is felt not only



for the consumer at large but for the farmer. The objective of the farm program is defeated if the advance in prices is not reflected in the return to the farmer on his crop and if his larger return is entirely absorbed by the prices he is forced to pay for the goods he must buy.

Dr. Howe's system of protection by publicity has 5 features:

(1) Weekly publication of retail prices on bread, milk, meat, and other staple foods. Statistics are gathered from more than 1,000 stores—chains, independents, and specialty food shops—in 50 cities by field representatives of the Agriculture and Labor Departments. Figures are weighted and averaged so that consumers get a picture of price trends throughout the country as well as those prevailing in their immediate vicinity.

(2) Retail prices will be checked back to show the amount that the farmer gets for the raw materials.

(3) Increases in labor costs resulting from wage raises and new employment and how much they count for in the increased price of foods will be reported.

(4) Prices that farmers are having to pay will be reported. This will include all kinds of commodities and will serve, when weighed against prices received from sale of raw materials, as an index of his buying power.

(5) Special bulletins covering all the foregoing features will be prepared for distribution, on request, to consumer groups and individuals.

Wheat Accord

Thirty-seven nations agree on vast controlled marketing scheme for wheat. Aim: to distribute more economically, to dispose of surpluses, to raise prices.

CONFERENCES settle problems piecemeal these days. The one concrete result at the London Conference was the wheat agreement. But it was only partially an agreement—a first stage. The second stage came last week in London, when everyone concerned got together and tried to work out final details. They advanced another step. In fact, even the skeptical Liverpool wheat market thought they did a pretty good job, considering.

Here is a list of the participants, what they attempted to accomplish, and results as outlined in their formal report of the accord:

Represented: "Big 4" suppliers: Canada, Argentina, Australia, United States. The 17 most important importers and exporters who agreed to the plan of the "Big 4"—Germany, Austria, Belgium, Bulgaria, France, United Kingdom, Greece, Hungary, Irish Free State, Italy, Poland, Rumania, Spain, Sweden, Switzerland, Yugoslavia, and (subject to final export quota allowance) the Soviet Union. Also present but unprepared to sign until parliaments grant permission: Denmark, Estonia, Finland, Holland, Lithuania, Latvia, Portugal, Turkey, and India.

To Raise Prices

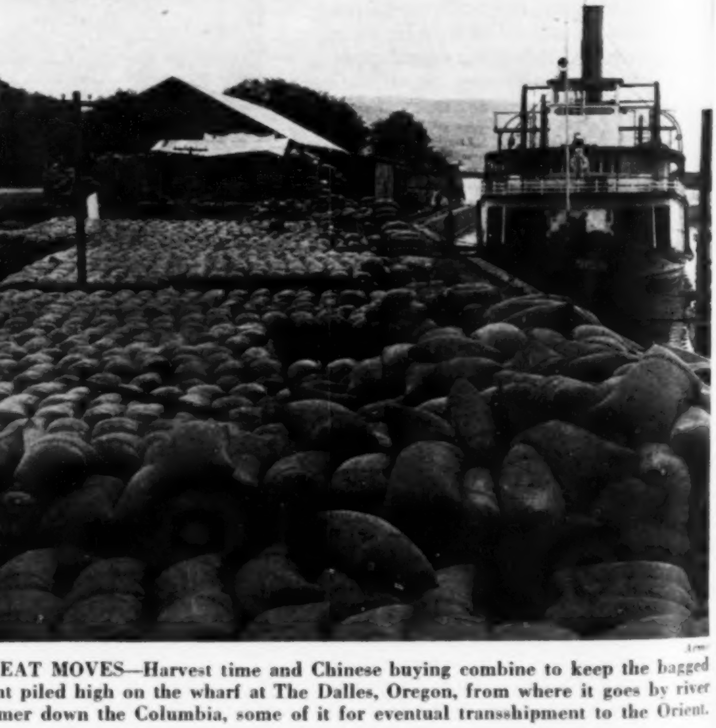
Purpose: To adjust the world supply of wheat to effective demand; to eliminate present heavy surpluses; to raise prices.

Provisions of the World Agreement: (1) "Big 4" agree to export only 560 million bushels in the coming export year (whereas Europe's smallest import in the last 7 years was 613 millions), and (2) to cut exports the following year to 15% below average for 1931-33; (3) Bulgaria, Hungary, Rumania, and Yugoslavia (next important export group) agree to export, altogether, no more than 50 million bushels in each of the next 2 years; (4) the Soviet Union agrees to an export quota, still to be arranged; (5) the large group of importing nations agree not to encourage large wheat acreage at home, to encourage the consumption of wheat and wheat products, to lower tariffs as prices rise, and to abandon restrictions against foreign wheat.

Eyes on Surplus

If the plan works, the world's wheat surplus of 450 million bushels will be systematically absorbed, the flow of wheat in international trade will return to channels now blocked by tariffs and quota restrictions, and the price of wheat will be maintained at or above a world level of more than 63¢, on the old gold basis. At current dollar exchange, this is above 90¢.

There are weaknesses in the agreement. Argentina and Russia have not yet agreed to the quotas which have been discussed in preliminary sessions, though no one seems particularly worried that they may be unable to argue to some mutual accord. And, from the first, the scheme is scheduled to operate for only 2 years. But balancing these is the striking break from recent extreme nationalism. The accord is a triumph for the internationalists and may encourage producers of some other commodities to start afresh on negotiations for rationalization which have made almost no progress in recent weeks.



WHEAT MOVES—Harvest time and Chinese buying combine to keep the bagged wheat piled high on the wharf at The Dalles, Oregon, from where it goes by river steamer down the Columbia, some of it for eventual transshipment to the Orient.

Wide Reading

LONG LIVE THE KING! J. Frederick Essary. *American Mercury*, September. Record of first 6 months of the United States dictatorship. Excellent and very terse summary of the 68 special "powers" making a dictator of the President.

THE WALL STREET WATER PUMP. John T. Flynn. *Harpers*, September. Concrete examples of watered stocks sold on the New York Stock Exchange and brought to light in the Senate investigation. Proposal that the President or some government agency name a few financial experts to follow the investigation with a study of the questionable methods of speculators and brokers.

MONEY: ACTIVE AND STATIC. Stephen M. Foster. *New Republic*, Aug. 23. There is no real inflation yet; money has simply come out of the old socks and sugar-bowls and started circulating again. An especially clear and simple explanation of a current situation.

BUSINESS NOW RETURNS TO THE PIONEERING PHASE. Crosby Field. *Executives Service Bulletin*, August. Businesses usually develop through 4 distinct phases—pioneer stage, expansion period, consolidation and stabilization phase, and finally the period of disintegration. The period ended by the depression was one of consolidation. Now we must sow for a while building up new enterprises. That means there will be many ideal opportunities for small enterprises.

THE WORLD'S STAKE IN AUSTRIA. Devere Allen. *North American Review*, September. Doughty Chancellor Dolfuss is fighting tooth and nail against the spread of Hitlerism in Austria. Gain or loss to the world if his effort fails.

THE UTILITY CRISIS IN NEW YORK. Jerome Count. *Nation*, Aug. 23. More about the demands for cheaper power rates.

SWEDEN'S MANAGED CURRENCY. Charles T. Hallinan. *Forum*, September. Sweden's Central Bank manages its currency, smooths out competition between commercial and savings banks, helps keep industrial production relatively steady. At the London Conference, the Swedish delegates were dragged from one hotel bedroom to another with their charts, everyone demanding that the Swedes tell them "how they did it."

THE MAD SCRAMBLE FOR BARGAINS. Melville C. Coleman. *Scribners*, August. Some facts about the lows to which wages have fallen. Wages behind the 88¢ shirt, and $1.95 dresses. Social as well as economic reasons why wages must be lifted.

REPORTS—SURVEYS

MUNICIPAL DEBT DEFAULTS, THEIR PREVENTION AND ADJUSTMENT. Municipal Finance Officers Association, Chicago, 54 pp., 55¢. Survey of municipal debt in the U. S. and Canada. Planned to assist public officials in meeting unusual problems presented by the necessity for paying public debts when taxes are curtailed.

A BALANCED HARVEST. Henry A. Wallace. U. S. Department of Agriculture, 12 pp. What the Farm Act offers the American wheat grower. The Secretary of Agriculture summarizes the whole act. Send for bulletins W-5 and W-6 from Agricultural Adjustment Administration, Washington.

Tangled Silk

Weavers in the silk industry protest blanket textile provisions before their code goes to a hearing. Japanese silk mission plans new uses, a wider market, proposes 3-year program to popularize silk in United States.

WHEN the cotton textile code under the NRA was signed, it was probably only natural that the other branches of the textile industry should be expected to model their codes after it. Until their codes could be framed and the hearings held, the whole industry functioned more or less loosely on a basis of the cotton code.

When rayon weavers finally got around to presenting their code, they simply offered the cotton model with some interpolations made to fit their industry. It suited them and it suited the NRA.

Silken Complications

In the silk industry, the matter is not so simple. Since rayon weaving developed into an important branch of textiles, strongly competing at first with silk, there has not been complete agreement within the silk division. A part wanted to take rayon into the fold. Another group was opposed to the idea. Naturally, disagreement wasn't confined to this one question.

The silk code is due for a hearing in Washington before long; the exact date is not yet definitely set. Since the middle of July the silk workers have been planning a strike to be staged the day the hearings were to be opened. At first this was going to be Aug. 1. Then it was Aug. 31.

General assumption of the workers was that the industry would attempt to write into the silk code the same minimum wages and maximum hours specified in the cotton code: $12 (in the South), and $13 (in the North) a week, and 40 hours. Weavers were willing that this be the minimum wage for unskilled workers, but wanted a minimum of $36 a week for skilled workers, a 6-hour day, a 30-hour week, and a 2-loom system. At present, workers handle as many as 6 looms.

Strike a Gesture

Within the industry the strike threat is taken more as a gesture than something likely to run the usual course. The workers are determined to voice their opinions at the hearing on the silk code and one of the most dramatic ways of presenting their arguments is to strike—the entire industry—with a definite platform of demands.

Witness to the protest of the silk weavers is one of the greatest figures in the world's silk industry—Senator Gosuke Imai, head of a special Japanese silk mission now visiting the United States. Senator Imai, bearded patriarch of Japan's silk industry, told American silk executives that he was here to study plans for a big silk promotion campaign, to attempt the creation of an international testing house where uniform standards of grading raw silk would be established, and to discuss methods of stabilizing silk prices.

At a banquet in Chicago following the special "silk day" celebration at the Century of Progress, and again when he was entertained in New York by leaders of the industry from the New Jersey and Pennsylvania mills, Senator Imai suggested significantly that, among other things, the Japanese industry hoped to popularize silk for men's clothing as well as for women. "This is one of the objects of our mission. We have been doing research work in the field of a silk material suiting. We have found our raw silk adaptable to making men's clothes, not only for summer wear but in a heavier weave for winter."

New Yorkers who have visited the recently established American office of the Japanese Government Raw Silk Intelligence Bureau have seen first samples of this research, saw also rubberized silk camping outfits which roll neatly into a purse-sized pack, copies of the finest of Oriental rugs made of silk thread. Products of Japanese research may yet be of assistance in solving the labor problem both in the silk mills in America and among the cocoon-growing farmers of Japan.

New Street Light

British lamp uses prismatic lenses instead of reflectors.

LONDON—A British utility company is experimenting with a new form of street light.

Instead of the usual reflector, the lantern is constructed with a number of prismatic lenses designed to throw a greater light in one direction than in another. In the tests, lights are planned to throw about 3,000 candlepower in the direction of oncoming traffic; nearly double that amount in the opposite direction. In this way, glare is avoided and the road is more evenly illuminated with emphasis on the direction needed to assist traffic.

International News

LABOR DECIDES—Mrs. Gifford Pinchot, wife of the Governor of Pennsylvania, chats with Emil Rieve, president of the Federation of Full Fashioned Hosiery Workers, after addressing the annual convention in Philadelphia. Later, in the Reading-Berks industrial area, workers in the hosiery mills voted, under auspices of the NRA labor board, on the question of union or non-union representation. Results: 37 mills union; 8 non-union; 2 recounts. This is the first case where the NRA has sponsored a secret ballot to determine the feelings of labor. The offer is open to other industries where there is any dispute on representation.

Business Abroad

Germany isolated in European moves to aid Austria. Transfer moratorium machinery begins to function. Britain prepares for conversion operations. Dollar and pound volatile. Japan campaigns for extension of foreign markets. World wheat accord signed.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—The visit to Washington of Montagu Norman, governor of the Bank of England, and the wide fluctuations in dollar and sterling exchange against the franc and against each other were the center of European business interest this week.

France, faced with a probable 6 billion franc deficit, appears outwardly much less worried over the fate of the franc than do some other financial capitals, though there is still a flow of funds to the French capital from abroad. At least a part of this was due to the worry in London over the probable increasing weakness of sterling as the heavy grain importing season approaches, added to the fact that the Exchange Equalization Fund probably is no longer going to function unless a new plan is devised for international currency stabilization.

Except in Germany, where confidence in stocks is waning, there was increased activity on both the stock and commodity markets in anticipation of higher prices. Industrial activity in both France and Britain is steady, despite the August lull, and September is expected to bring a return of the earlier revival. German indicators were less promising this week.

A good deal of optimism has been stirred by the signing of the world wheat accord in London (page 22). In Holland, however, there are continued signs of farm protection. Tariffs have not risen but there is a tendency toward government control of imports. Russia, following famine reports, is now troubled with the problem of transporting as quickly as possible a bumper harvest.

France

Dollar and sterling fluctuations of major interest all week.

PARIS (*Wireless*)—Foreign exchange fluctuations, especially the dollar and the pound sterling, held major business attention in Paris this week. The franc, seemingly, is left clinging tighter than ever to gold, despite President Roosevelt's blunt warning during the London Conference that it would scarce be possible to remain on the gold standard in the face of the huge budget deficit. The Frenchman retorts that every country is living beyond its means and the only real danger in France is a lack of confidence in the government.

There was a note of satisfaction in the continued flow of foreign funds to Paris and the returning confidence in each of the gold standard countries in the determination to stick to the gold basis. It is not denied that French exports are suffering severely from the competition of exports from off-standard countries, but Premier Daladier is planning to negotiate a series of trade treaties with other countries, using as a wedge for better treatment of French exports the fact that France is a greater importer and exporter and so is in a position to retaliate.

The 6 billion franc national deficit, now definitely foreseen, is not viewed with unusual alarm in France since it is still believed that a few major economies in expenditures and a few mild new taxes will make it possible for the treasury to cover it in the usual manner.

Great Britain

August industrial decline smaller than usual. Stock market active; more conversion operations expected in fall. Dollar devaluation expected.

LONDON (*Cable*)—With the end of August, the summer lull in England reaches its quietest time, but business this year is everywhere reported to be on the mend, and the stock markets have had the busiest August for some years past. Gold mining shares have experienced another small boom this week.

The early fall will see a rush of new issues, many of which were prepared to be offered last spring but were withheld on government order until after the Australian, Canadian, and Austrian loans had been issued. Early this fall, there is likely to be another government conversion, to fund the floating debt with its overweight of treasury bills, and South Africa will almost certainly come into the London market with a £13-million conversion offer. All these anticipations give a pleasant expectancy to the atmosphere, which is also stimulated by the consistently good home rail traffic. The next batch of trade and unemployment figures, due early in September, is awaited with more than usual interest, and it is expected that the extent of the seasonal falls will prove to have been checked again.

Parliament does not meet again until the late autumn, but in the meantime Minister Elliot is progressing with his various marketing schemes under the Agricultural Acts of 1931 and 1933. Milk, pigs, bacon are already well in hand, and livestock is almost ready. The Tariff Commission is ready to adjust duties if the fall drain on sterling should be countered either by dollar depreciation or by an Exchange Equalization Fund in the United States which might embarrass British manufacturers. The swing back to nationalism after the disappointment over the World Conference is marked.

London Expects Cheap Dollar

The country continues to watch the Roosevelt experiment with the keenest interest. London believes that America will be forced to devalue the dollar whatever happens. If the codes succeed the anticipation is that the rising demand for currency will force depreciated currency out; if the codes fail the anticipation is that the setback to industry and the commodities will need inflation to correct it. As the autumn drain on sterling normally means the appreciation of the dollar—which, it is assumed, is the last thing Washington wants—the shift by Roosevelt from industrial to currency adjustment is awaited with considerable anxiety.

The index of industrial activity in the second quarter was 12% above the first quarter, and 1.7% over the second quarter of last year. Registrations of private motor cars show a big increase. Rail traffics continue good. Activity on the foreign exchange market, with notable depreciation of sterling against the franc, is caused by Continental fears of the effect on the market of heavy British grain imports just ahead.

Germany

August lull unchecked. Market activity and prices lagging. Transfer moratorium machinery ready to function early in September.

BERLIN (*Cable*)—Although the partial transfer moratorium on foreign debt servicing became effective as early as July 1, no interest has been transferred so far within the limits admitted by the moratorium. This delay has been due partly to technical difficulties (printing of scrip which is to be eventually resold to Germany at 50% of its face value) and partly to the opposition of representatives of American bondholders who refuse to accept scrip in final liquidation of maturing coupons. It is expected that American bondholders will

International

SO THIS IS MOSCOW—American tourists in the famous Red Square in Moscow awaiting their turn to visit the Tomb of Lenin. Tourist dollars help the Soviets pay for prized American machinery.

have to "surrender" sooner or later as British, Dutch, and Swiss creditors have already done, since the only alternative would be to accept payment in blocked marks for the entire amount due.

The new transfer machinery under the partial moratorium will probably start functioning early in September. The Golddiskontbank, subsidiary of the Reichsbank, will be entrusted with all transactions pertaining to the issue of scrip and its repurchase on behalf of German exporters who, in turn, will apply the profits realized to boost "additional exports." There are indications that the fiction of "additional" exports may be gradually abandoned and that this system of (indirect) subsidies will apply to the bulk of German exports.

Artificial Gold Standard

The result would be the establishment of a peculiar "dual" currency inasmuch as the various categories of marks used for the financing of exports (it is even proposed to create one kind of "export marks" only by granting the Golddiskontbank the monopoly of trading in all the kinds of blocked marks with their different discounts) will offset the advantages derived by other countries from the depreciation of their currencies, while the fiction of a gold-parity mark will be maintained on domestic transactions.

The final arrangement for the transfer of interest on foreign debts under the moratorium has caused a serious disappointment among German holders of bonds issued abroad. Originally, they were told that they would be paid fully in "free" marks. Foreign holders of these bonds protested this plan, pointing out that this would mean discrimination against them since they would obtain only blocked marks (if they refused to accept partial payment in foreign currency). The German government had to admit that this contention was correct and has now issued an order to the effect that domestic holders of dollar bonds will be paid 50% in free marks and 50% in scrip (worth 50% of its face value).

Seasonal Lull Continues

There is increasing evidence this week that the seasonal slump is unchecked. There is an 11% decline in steel production, and more signs that the automobile boom is coming to an end. Opel (controlled by General Motors) has returned to a 4-day week. Carloadings are receding. Securities are sagging.

Germans are becoming genuinely alarmed over the revived plans throughout Europe for the old "regional bloc" system which is more bound up with politics than economy. Mussolini's move to aid Austria, following the trade arrangement made with Hungary some months ago, is likely, sooner or later, to stir French antagonism because it cuts French prestige in Central Europe. It is only during the present tense situation that Paris is allowing the matter to pass with little protest.

Far East

Japan continues aggressive campaign for expansion of foreign markets. Australia asks lower interest rates.

JAPANESE industrial interests, in pushing their efforts to expand markets abroad where Japanese goods are still welcome or in attempting to develop new markets to replace those which now bar Japanese products, came into special contact with 3 other countries this week.

Japanese exporters of sea products received official reports during the week from Paris that France has issued an order restricting the total annual imports of canned salmon to 384,000 cases, to be divided equally between Canada and Japan. The order becomes effective Dec. 1.

There has been continued agitation against Japanese products in Australia, one of the largest sources of Japanese wool imports. This has led one large Japanese spinning company to make preparations to open a sales organization in Argentina with the purpose of making Japan less dependent on wool imports from Australia.

The Dutch East Indies continue to be one of the most profitable markets for Japanese exports. The number of Japanese retail shops in Java has increased materially in recent months. Almost every town of 10,000 or more is said to have one or two Japanese shops, and Soerabaja has 25, Batavia, 16. At Soerabaja, a league of Japanese shopkeepers has been formed to encourage the establishment of trade with interior centers.

In addition to this expansion program by individual merchants, the Mitsui Co. is establishing a system of sales bazaars throughout the Dutch Indies, which will be similar to the chain already started with 6 in the Philippines, 1 in Siam, and 2 in Indo-China.

Despite the reports from London that financiers are eager to reestablish that city as the money-lending center of the world, Australians are complaining of the inability to secure lower interest rates through more readily accepted conversion operations. There is especial resentment that Argentina should have been granted a £10 million loan at $3\frac{1}{2}$% in London when the Australians were refused permission now to convert £17 millions from 6% to 4%. Australia is particularly proud of her debt record and the improved statistical position of the country. Australians still have £600 millions of foreign loans. On more than half of this debt, the interest rate is 5% or higher.

Latin America

Strikes worry new Cuban régime. Argentina signs world wheat accord. Mexico urges higher wages.

THERE were only 3 major developments in Latin American news this week.

In Cuba, labor unions—probably a bit drunk with the first return of freedom of speech—are voicing vigorous demands for higher wages, shorter

hours, better working conditions. Numerous small strikes have been called, though the important railway unions have agreed temporarily to return to work while higher wages are debated in conferences with employers.

The Machado constitution has been overthrown and the country has reverted to the former constitution, has set elections for next February. The radical parties are not yet satisfied, however, and provisional-President de Cespedes is having difficulties holding all parties to the coalition in line, while the disorder of the revolution is cleared away and first plans for economic reorganization are made.

"Machado Bank"

During the week a run on the Banco Commercial de Cuba (in which the former President is a stockholder) developed and the bank was finally closed on presidential order.

More than any other Latin American country, Argentina is affected by the signing of the world wheat accord. As one of the "Big 4," the Argentine helped to draw up the relatively simple plan which is advocated to clear up the world wheat glut. The world situation is not likely to improve rapidly until it is evident just how extensive the crop declines are this year and how effectively the plan for disposing of the Canadian and United States surpluses is going to function.

Trade Bargains

The opening of trade talks in Washington with official representatives of Brazil and Colombia mark the beginning of the campaign for reciprocal trade agreements with Latin America. With both the countries (major coffee supplies), the United States holds an unfavorable balance of trade. Washington can make demands and let other governments worry about meeting them. With the Argentine, the matter will be less simple. That country has long bought more in the United States than it sold in return. It is a matter of considerable study before Washington can make many import concessions to the Argentine because the Argentine's major exports compete with United States farm products.

Rate Concessions

Mexico's President is making the same effort that Washington has initiated of raising wages to improve buying power. New industry got a boost this week when 8 utility companies, urged by the government, agreed to reduce electric rates to new industries by 50% for the first year of their existence, 25% for the second year, and 10% the third. By the fourth year, the industries are expected to meet the general rate.

In Mexico City, officials are preparing for an issue of more than $7 millions in bonds to finance repairs to the city's water supply and drainage system. The project will require 2 years, will absorb some of the city's unemployed.

Soviet Pays Royalties

American dramatist wins first acknowledgment from Soviets of right to collect royalties. Payment is in rubles which cannot be taken out of the Soviet Union.

CUSTOMS vary with countries. So do laws.

Foreigners have long been bitter over the "injustices" they receive under Soviet law. Accusations used to be frequent, and sharp. That was 5 or 10 years ago. Lately, less has been said about the matter. The United States is talking about recognition. France, after years of bitterness over the Czarist debts which Moscow didn't choose to recognize, has found it profitable to be friendly with the Soviets and has sent jovial M. Herriot on a goodwill tour of European Russia.

One of the most cantankerous problems which Americans and Germans have run into is the rather broad and altogether loose interpretation Moscow has been inclined to place on the usual "copyright" law as it applies in the arts. There was nothing underhanded about it. An author, particularly of technical articles, occasionally found in his morning's mail a bulging Russian magazine, not even the name of which could he read. But somewhere inside he would find his own name—recognizable largely because of a big blue pencil mark beside it. That constituted acknowledgment of the privilege of reproduction.

Dramatist Recognized

More recently, authors have received a request from the Soviets for permission to reprint specific material. Occasionally there has been a flat payment for the material. But the literary world has claimed until very recently that the niceties of the copyright business haven't been very closely observed, and many of them wished they might be, for once a book is published in Russia, circulation is likely to be large.

This was the reason for the surprise this week when it was announced that Sophie Treadwell had formally been granted royalties on her play, "Machinal," which the Soviets are producing in Moscow this season. To authors, more interested—or almost as interested—in the principle as in the actual royalty, it mattered little that the payment was in Soviet rubles, which cannot be taken out of Russia. Royalties are deposited in the State Bank, and it may be necessary to go to Russia and "live them out." To many authors it makes little difference whether they are writing in Moscow or New York.

The Figures of the Week

Belated seasonal influences and the weight of stocks laid in before recent price advances are holding down business activity. Steel production is slowing up, though motor manufacturers must be gratified at retail sales. Electric power declines; carloadings rise. Commodity prices sag.

WHILE current business activity has receded somewhat from the levels attained in July, the records of the preceding month are worth examining. The extraordinary gains tend to exaggerate the improvement, to make one lose sight of the depths to which trade had fallen. In foreign trade, for example, exports rose 21% to $145 millions and imports jumped 17% to $143 millions, compared with June. Imports were the largest since 1931, giving ample evidence of the better tempo of industrial activity, and also of the eagerness to anticipate any price advances either here or abroad. But not even in the depression of 1921 did foreign trade dwindle to such meager totals. According to the Federal Reserve Board, manufacturing activity in July reached a level 99% of the 1923-1925 average after making seasonal allowances. This was largely due to the sharp gains made by textiles, food products, and leather goods. Estimates of the number of men returned to work since the new Administration undertook to restore prosperity center around 2 millions, but reliable figures on this subject are not available. The 22% rise in employment from March to July in manufacturing concerns reporting to the government each month would indicate that the gains have been noteworthy.

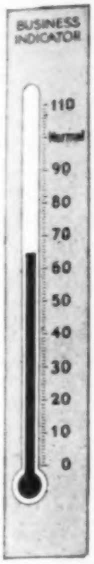
Steel manufacturers in the last few days have been more concerned over the rules and regulations of their new code than over the matter of new business. Prices covering the rest of the third quarter were filed by Aug. 29. The general impression gathered in advance of any tabulation by the American Iron and Steel Institute is that advances are few. Pig iron is the outstanding exception, with increases ranging from 50¢ to $1 a ton. Base prices on foundry iron are now identical at $17.50 a ton at Chicago, Detroit, Cleveland, Youngstown, and a number of other Eastern centers, thus reducing the volume of interterritorial business. New extras on semi-finished steel will be established as a result of the code, from which deviations in the form of concessions will not be tolerated. Competition, according to the *Iron Age*, will be open and aboveboard, not secret.

Brisk Motor Sales

Motor and canning industries continue to be the main supports of steel, though a further slipping in the operating rate to 49% of capacity has not been avoided. Part of the slump may be laid to seasonal factors, part to the ample supplies already on hand, and part to the uncertainty over price trends. July motor production in the United States and Canada fell 8% from the June total of 260,645 to 239,628. Passenger car production in the United States declined to 195,019, but sales increased 78% in the same period, from 104,188 in June to 185,660 in July. This well sustained retail demand for cars is expected to keep August output at approximately 220,000.

BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1928-1932)
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*64.7	†64.3	53.8	
PRODUCTION				
Steel Ingot Operation (% of capacity)	49	52	13	53
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,604	$3,419	$4,380	$14,531
Bituminous Coal (daily average, 1,000 tons)	*1,264	†1,229	825	1,305
Electric Power (millions K. W. H.)	1,630	1,650	1,436	1,618
TRADE				
Total Carloadings (daily average, 1,000 cars)	106	104	86	145
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	65	64	59	94
Check Payments (outside N. Y. City, millions)	$2,740	$2,957	$2,468	$4,495
Money in Circulation (daily average, millions)	$5,607	$5,622	$5,706	$4,945
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$ .86	$.84	$.47	$.79
Cotton (middling, New York, lb.)	$ .096	$.093	$.088	$.130
Iron and Steel (STEEL, composite, ton)	$30.10	$30.02	$29.24	$32.96
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.054	$.111
All Commodities (Fisher's Index, 1926 = 100)	70.4	70.3	61.9	82.1
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,253	$2,237	$2,330	$1,470
Total Loans and investments, Federal Reserve reporting member banks (millions)	$16,605	$16,708	$16,427	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,768	$4,788	$5,345	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,737	$3,795	$4,010	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$853	$894	$355	$3,024
Stock Prices (average 100 stocks, Herald Tribune)	$103.43	$101.65	$90.71	$146.41
Bond Prices (Dow, Jones, average 40 bonds)	$87.58	$87.92	$82.03	$92.09
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	1%	1%	2%	3.9%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1½%	1½%	2-2¼%	3.7%
Business Failures (Dun and Bradstreet, number)	326	312	589	447

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For details of statistical methods, write the editor.

Construction enthusiasm apparently petered out during the third week of August, all principal groups showing losses in daily rates compared with the first half of the month. Public works awards, and consequently the total volume of contracts, still hold a fair margin above July's rate, but the gain has been practically halved.

Public Works Expanding

Public works and utility contracts now exceed $35.8 millions, a 149% expansion over the July daily average, but a spread of 20.5% from last year's none-too-large volume. Replying to many complaints of tardiness in putting in motion the federally supported projects, Secretary Ickes has talked of delays encountered even after fund allotments have been made, for which the government disclaims responsibility. Consideration is being given to a scheme involving forfeiture of public funds if unwarranted delays ensue. That some construction projects are getting under way can be gleaned from the portland cement records of July. Production reached the highest level since October, 1931, shipments gained 9.6% over June.

Residential building awards through Aug. 22 aggregated $15.7 millions, a 12.6% decline from the July average, but still some 7% better than a year ago. Non-residential building for the same period totals $23.7 millions, slipping to 22% behind the July daily average, and more than 31% behind August, 1932.

Total construction contracts to date in August in the 37 states reported by F. W. Dodge Corp. reached $75.3 millions, a spread of 20% above last month and the same amount below last year.

Coal production is picking up speed after the strike letdown, helped by the fear of consumers during July that price advances might follow code acceptance or result from labor disturbances. The building up of industrial stocks has stimulated output. Coke oven, cement, and steel mills sharply increased their consumption of soft coal during July. At the same time these consumers replenished their long-dwindling stock piles. Total industrial stocks of soft coal rose 9.8% over June; consumption 8.8%.

Electric power consumption receded during the week ending Aug. 26, particularly in the Southern states where textile activity has experienced a setback following price advances and tax impositions. For the country as a whole, the spread over 1932 stands at 13.5% against 15.2% the preceding week.

Railroad Earnings Up

With a small additional gain in carloadings for the week ending Aug. 19, total loadings to date have pushed ahead of the total for the same period of 1932. Granted that it was only the meager margin of 0.1%, yet the tide that almost spelled disaster for the railroads and left a mean mark on the order books of the steel companies has been turned. Operating income gains over a year ago reveal startling percentages that probably overrate the real improvement. It has been achieved by extraordinary stinting of operating expenses. The first 58 railroads reporting for July have net operating income 425% above 1932; gross income 22% higher.

Coordinator Eastman is busying himself with ways and means of increasing employment on the railroads and in steel and supply shops through an overhauling of transportation equipment. Executives of Class I roads have been asked to survey their freight cars with a view to scrapping much of the obsolete equipment. At the same time, railroad presidents are being asked to assent to a $60,000-a-year top salary.

Price Advances Slowing

Disturbance over the rapid boosting of food prices during July must have prompted the Bureau of Labor Statistics to hasten its survey of the August situation, for the figures have been released with unusual promptness. A sigh of relief must have accompanied the results, for the gain over July based on 51 cities was barely 2% as against more than 8% for the preceding 2 months. Gains over a year ago have been uneven, with Los Angeles registering the greatest increase—16.9%. Norfolk, Va., reported a 2.2% decrease. Some 32 out of the 42 food items priced by the bureau showed increases in August. Bread rose by 6%, while butter made an unusual decline of 12%.

The rise in prices paid by farmers to 12% above the 1909-1914 average was accompanied by a decline in prices of farm products, thus leaving the purchasing power of the farmer in August below that of July.

Commodity prices have shifted about uneasily in the past few days, most of them sagging or fluctuating irregularly. The non-ferrous metal markets, with the exception of zinc, were steady, and cotton rallied a bit. But grains moved downward. Secretary Wallace announced his call for a 15% reduction in wheat acreage following the settlement of the world wheat pact. About 10 million acres will be taken out of active cultivation. Hog prices weakened as the government began its hog-buying activities.

The Financial Markets

New gold embargo regulations have started guessing contest. Dollar depreciation is now 30% in terms of gold. Open-market policy presages credit expansion. Bonds blunder aimlessly, stocks mark time.

Money

In addition to reading the bewildering volume of news from Washington about the codes of various industries and trying to digest their effect upon earnings, Wall Street indulged in a guessing contest this week as to the consequences of the regulations from Hyde Park which modified the gold embargo.

Under the revised regulations, new gold may be exported by special license. Newly mined gold may be sold under restrictions. In effect, the President is reestablishing a gold market at world prices. It is estimated that gold at present rate of exchange will bring about $29 an ounce against $20.67 when the dollar was on the gold basis. The first effect of this move, which, though it came unexpectedly, has been discussed for many weeks and in some quarters has been anticipated, will be to indicate the devaluation of the dollar that has already taken place. The present gold price differential indicates a devaluation of about 30%.

Advocates of inflation welcome this move on the part of the President as a further step in clearing the decks for inflation and for the reestablishment of a free gold market. On the other hand, the accompanying stringent regulations regarding gold hoarding would point in the opposite direction. Evidently, the President is preparing to have a showdown with those who have flouted the anti-hoarding provisions in the gold embargo.

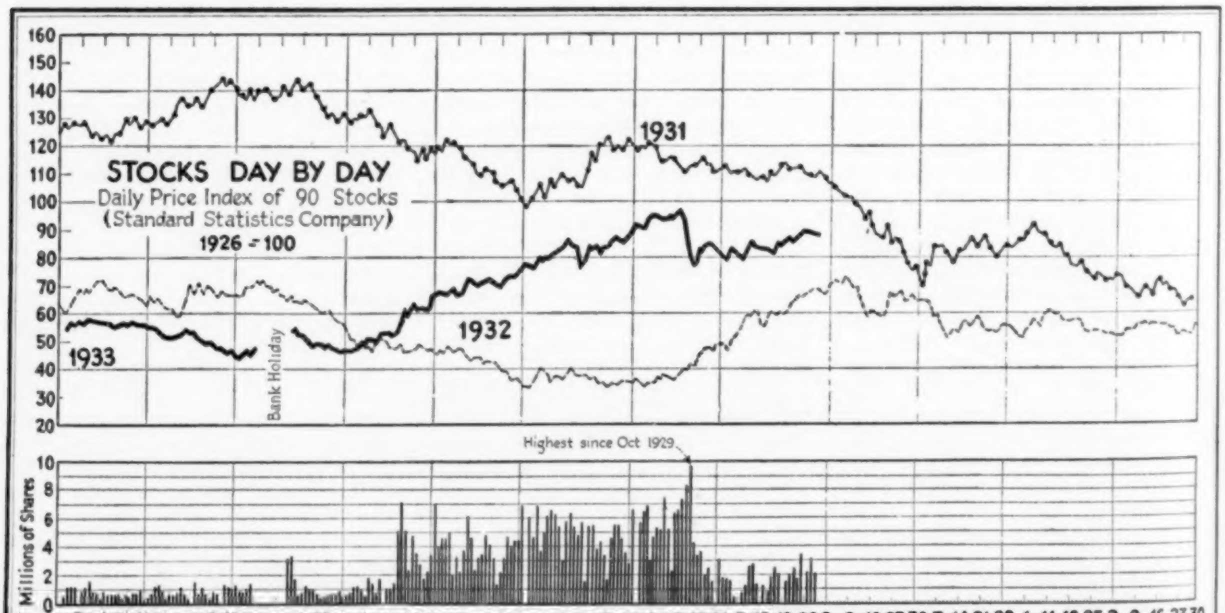
Of course, gold producers are directly benefited to a very important degree. Gold mining stocks were the first to respond to the plan for a regulated market for moving mined gold.

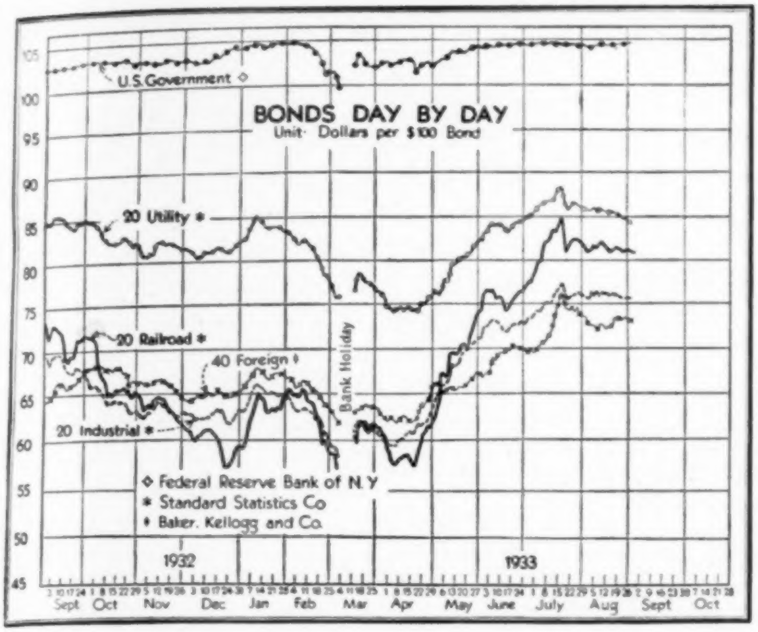
The consequence of all this to commodity prices is as yet not clear. Grain markets made no immediate response. The exports of gold will be an additional factor in strengthening the dollar on the foreign exchanges, will provide an additional export commodity and build up foreign credits for American mining interests. But Wall Street's first reaction to the announcement of the regulation was large speculative selling of the dollar. Presumably this was predicated on the expectation of ultimate devaluation.

Pending governmental devaluation, the dollar will be stronger from now on and maintaining or increasing the price level to the 1926 figure will become more difficult. Again, however, Wall Street was "contrary." Cotton prices rose sharply immediately after the regulations were announced.

Though the increase in open-market purchases of the Federal Reserve banks to $35 millions a week ran considerably less than last year, when purchases were made at the rate of $100 millions a week, the pickup is significant because it shows that the Federal Reserve banks expected to come into the breach if prices should waver, and because the operations, though much less than last year, are likely to be more effective. The magnitude of last year's operations was largely nullified by adverse factors outside the control of the Reserve banks. World-wide deflation and a crisis in confidence interfered just at the time when the campaigns appeared about to fructify into success. At present, the decline in prices has been arrested. Commerce and industry are gaining. Confidence is reviving. A campaign such as the Reserve banks are undertaking now is more likely to meet with success.

The Federal Reserve Board's condition statement of weekly reporting member banks in 90 leading cities shows a decrease of $103 millions in loans and investments, $80 millions in time deposits, $22 millions in government deposits, and $9 millions in borrowings from Federal Reserve banks. There were increases of $15 millions in net demand deposits and $68 millions in reserve balances with the Federal Reserve banks. Loans on securities dropped $58 millions and all other loans declined $20 millions. The decline in the security markets, together with the general deflation which is still going on throughout the country in order to increase the liquidity





of the small banks, is showing up in these figures.

The *Federal Reserve Bulletin* points out that, except for offerings of United States government securities, which exceeded retirements by $1.7 billions during the first half of 1933, new bond and stock issues have been few and small. Corporation offerings, including refunding issues, have been about $200 millions, while state and municipal offerings have been less than $250 millions. These new issues have been exceeded in volume by maturities and redemptions of outstanding securities, which for corporations alone were over $800 millions.

Trade improvement continues to increase the volume of outstanding commercial paper. August figures are expected to show a considerable advance over July's $97 millions outstanding.

Stocks

Stocks have been aimlessly drifting off in a professional market which came close to a 3-million-share day several times last week. Hesitancy on the part of speculators is largely the consequence of inability to see eye to eye with Washington. The Capital feels confident of marked business improvement and much higher prices within the next few months. On the business horizon there looms large the possibility of labor conflicts and the draining of corporation assets under pressure of the NRA. Moreover, business is disturbed by the constant shortage of bank credit which is seriously interfering with its operations. As prices rise, more working capital will be required to finance the same volume.

Recent activity of the Federal Reserve banks in expanding open-market operations has been heartening. A strongly constructive factor is found in the excellent earnings statements which continue to come in. The first 58 railroads to report for July showed a net operating income of $49 millions against $9 millions in July, 1932, an increase of 424.8%. It is also significant that the strength of the market is in the leaders. Purchase of these stocks usually comes from strong financial quarters.

Bonds

With the exception of U. S. government bonds, which have the support of Federal Reserve Bank purchases, all bonds have been drifting to lower levels. Second-grade issues are now considered high and recent advances have discounted not only present earnings but earnings that are not likely to materialize soon. There is doubt about the intrinsic merit of recent advances of foreign bonds.

The German bond situation is particularly unsatisfactory. Bond holders are to receive 50% of the face value of the respective coupons and 50% in certificates calling for blocked marks. The marks, of course, are to be used to stimulate exports from Germany. No doubt a market will soon develop for those marks and, under the arrangement, bondholders might not fare badly. However, there is delay in bringing the scheme into operation. It is suspected that the delay is prompted by a desire on the part of German debtors to reacquire the bonds at attractive levels, using for such purpose sums withheld from their American creditors.

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SEPTEMBER 2, 1933

Feeding the Eagle

At last, the Administration is taking steps to increase the supply of bank credit. Not very bold steps, and so far not very effective, but encouraging because they indicate that the importance of the problem is beginning to be appreciated. It is high time.

The things the Administration has done to promote business recovery have been bold and forward-looking. It started to deal with the banking situation in the same way, but since the the first vigorous stroke, it has been timid and utterly conservative. Now a crisis is upon us.

Employers are being called upon to increase payrolls and face rising materials costs without immediate returns. They must be financed. They turn to the banks, and discover, as General Johnson says, that the commercial banking system is "not functioning." The General was quick to add words which showed his sympathetic appreciation of the individual banker's problem. No banker can do much about the situation; only government can act effectively.

And government has done very little. The Treasury and the other agencies concerned are moving with an excess of deliberation and an overabundance of caution. Making due allowance for the prejudice of disappointed negotiators, it is still apparent that scores of important banks are being kept closed that could be reopened with perfect safety. Rulings are highly arbitrary. Liquidity, not solvency, seems to be the supreme test. There is a stiff-necked insistence upon a narrow formula for bank reorganizations.

The Administration is much concerned in putting speed behind a public works program which is to release, say, $1 billion in wages within a year; in national banks alone are $2 billions of frozen deposits.

The Committee for the Nation, under the chairmanship of J. H. Rand, Jr., has been doing some sampling of conditions in localities supposedly typical.

The results are appalling. An Indiana manufacturing town is trying to get along with $6 millions of bank deposits; $47 millions are frozen. In a Pennsylvania industrial town, 50% of deposits are frozen. One Pennsylvania utility company has to gather receipts from the towns it serves in bags, by express; appliance sales, of course, are dead. No need to pile up examples; the dozens of stories are all the same.

Bank deposits have shrunk $10 billions in the 6 months since the banking crisis began to develop in the middle of February. Almost one-fourth of the banks that were open at the end of last year now are closed.

Frozen bank deposits strangle consumer purchasing power. They freeze merchants' and manufacturers' accounts. They make borrowing, and to that extent business, impossible.

Washington is making no brisk attack upon the problem of the closed banks; it plods along a bureaucratic path. But the Federal Reserve last week stepped up its open market operations, albeit on a moderate scale. We do not agree with critics who assert last year's vast operations were a failure; we believe they prevented a worse catastrophe than occurred. Effective brakes on the descent, such operations may prove powerful accelerators to the rise. Then there is the pointed suggestion that the R.F.C. might well be used more directly to expand commercial credit—specific plans still in the making. Apparently, too, the home loan mortgage corporation is going to thaw out a large volume of banks' slow assets.

These are beginnings. But the times demand quick action—something to match the fire and drive of N.R.A. The Blue Eagle drive cannot live on enthusiasm alone. It will cost money, and unless we are merely to print it, the money will have to come from the banks.

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